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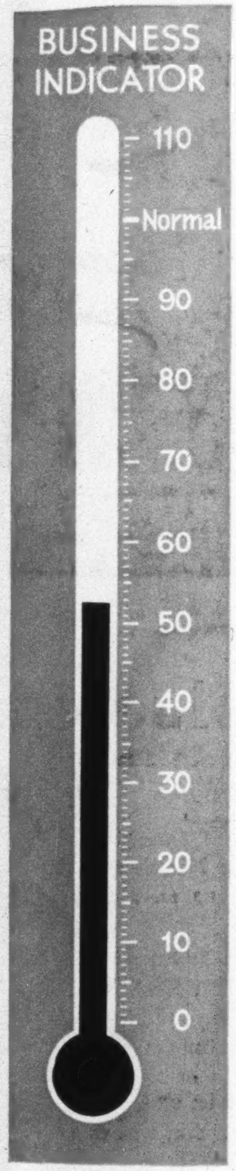
THE BUSINESS WEEK



Business seems to be offering encouraging resistance to the usual year-end seasonal decline, though the forward movement this fall has lost some of its momentum. . . . Especially to be noted are the well-sustained volume of construction contracts during November and the continued active output of coal. . . . Merchandise carloadings and retail trade showed some decline during the first part of November, but the strength of holiday business has not yet been tested. . . . The stability of security markets in recent weeks despite unfavorable corporation reports and foreign exchange disturbances has been impressive. . . . Persistent inflow of gold continues to fortify the banking position, and recently there have been a few faint suggestions of more active credit expansion; but uncertainties regarding fiscal, foreign debt and farm relief policies to be pursued in the next session of Congress and by the new Administration still make for hesitation and delay all along the line. . . . The most seriously unsettling factor in the foreground is the acute disturbance of international financial and trade relations precipitated by the problem of the December war-debt payments. . . . The further depression of world commodity price levels which it has caused is definitely unfavorable for early improvement in the business outlook, but carries comforting compensation in the fact that it will accelerate action on the essential issues of domestic and international monetary policy which it has forced to the surface.

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THE BUSINESS WEEK (with which is combined The Magazine of Business) December 7, 1932, No. 170, Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary, $7.50 per year, in U.S.A. and possessions; $10.00 or £2.10s per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A. Copyright 1932 by McGraw-Hill Publishing Company, Inc.

THE BUSINESS WEEK

DECEMBER 7, 1932

Congress for Repeal

Overturn of sentiment amazes party leaders. Even the drys now say that the states should have a chance to pass on the question.

WASHINGTON—Leaders of both parties in Congress decided to put prohibition repeal ahead of light wines and beer when they made the somewhat astonishing discovery that it is entirely possible the necessary two-thirds majority for repeal can be found in both House and Senate. It had been assumed all along that repeal would have to wait for the new wet votes which will come in Mar .4.

The amazing overturn of sentiment since last session results, of course, from a new appraisal of popular sentiment as revealed at the polls. Many politically dry senators and representatives are ready to vote for repeal on the ground that they are merely going to give the states a chance to pass on the question. That is the attitude, for example, of Senator Fess, dry of drys. He reserves the right to fight repeal when it comes up for Ohio's ratification.

Senator Glass Dissents

Chief obstacle to passage of a repeal resolution is the difference between the forthright repealists and those who hold the view championed by Senator Glass, that repeal should reserve to the federal government the right to police the situation so as to prevent the return of the saloon. Senator Glass thus lines up with the Republican platform.

All the talk about protecting dry states from liquor shipments from wet states is just political conversation. The federal government has and always has had supreme authority over interstate commerce; the 18th Amendment did not add to these powers, nor will its repeal subtract from them.

The real difference is involved in two points—whether the federal government is to maintain a special prohibition enforcement unit, charged with preventing the return of the saloon or with preventing interstate shipments, or whether law enforcement is to revert to regular agencies of the Department of Justice where it was lodged prior to the 18th Amendment.

Prospect of a determined dry filibuster in the Senate has not completely faded, but it seems less probable every week. Sidelight—the managers of a radio hour have had great difficulty getting a senator to talk in favor of retaining prohibition.

It may be the repeal resolution will have to say something about preventing the return of the saloon in order to command a two-thirds majority, but it looks as if the wet leaders will try to force a vote on a resolution containing no such provision, and it is entirely possible they can pass it.

Brewers, fighting against any 2.75 restriction of alcoholic content, have made a good impression. They argue that 2.75 beer is not satisfactory, and that it will not stop bootlegging (Senator Watson, always a political dry, publicly called 2.75 beer "slops").

The wine people, to whom 2.75 means nothing, have been active, and influential. They have enlisted aid from grape growers in California, New York, Ohio, Michigan, Illinois, Oklahoma, Tennessee, and, believe it or not, Alabama.

Beer Prospects

They look promising to many industries—some of which have little connection with brewing.

HIGH hopes ride the crest of the beer wave. Widely divergent lines of business expect to come back with "the real stuff." Some are already working back on the mere prospect that the brewers' big horses will be hauling old-time lager on New Year's Day.

Most active so far have been the gentlemen who engage to handle brew-

Acme

HAWLEY SNELL GARNER TREADWAY BACHARACH SMOOT RAINEY GEORGE DAUGHTON

"CONGRESS IS AGAINST IT"—House and Senate leaders leave the White House after giving the President their views on war debt revision. Business fears particularly the effect of forced British payments—on foreign exchange, on commodity prices.

ery bond issues—or what bond issues have you? Wide publicity has been given to the generally exaggerated sums that will be spent to build, expand, and modernize breweries. Issues that have the smell of malt about them have caught the popular fancy. So much so that Better Business Bureaus have felt constrained to broadcast warnings that in some cases the smell is slightly sour.

Modernization First

Building will come later on. Expansion and, particularly, modernization is the more immediate prospect. First orders will go to the breweries already in existence—on a cereal beverage basis. They are said to number 158 of the 1,100 operating in pre-Volstead days. And equipment that was good enough for business on a cereal beverage business will not be good enough if there is a real beer demand to be satisfied at a profit—less taxes. For example, much water has gone over the dam since some of these breweries put in their refrigerating equipment. Idle plants especially are full of obsolete machinery. Brewery engineers have kept up their inventive activities on the hopes that now seem about to be realized. Dr. Robert Schwartz, director of the Schwartz Laboratories, New York consultants to brewers, estimates that the return of real beer will release between $200 millions and $300 millions in plant rebuilding and remodeling.

Early Promises

The newspapers have been full of brewers' promises to follow revision with re-equipment. They report Milwaukee's Big 3—Schlitz, Blatz, and Pabst—ready to spend $10 millions immediately for machinery, labor, and supplies. Anheuser-Busch excites St. Louis reporters with "$2 millions for supplies in the near future." Ranier Brewing Co. tells San Francisco that it has already placed orders for $350,000 worth of new bottling equipment. In New York, Col. Jacob Ruppert has been heard saying that his famous plant can "begin to bottle beer on an hour's notice" and, once the notice has been given, will sink $2,750,000 into new buildings, $2,250,000 more into modern machinery and other equipment. Thirsty New York readers have also been entertained by the New Amsterdam Brewing Co.'s promise of a new $2\frac{1}{2}$-million plant with "Bismarck Beer Garden" attached on the Long Island site of Arnold Rothstein's abortive venture into real estate as a diversion from gambling. Other cities echo with similar big figures, perhaps over-optimistic but certainly indicative. Real estate men expect to be among the beneficiaries.

Speculative attention has been sharply focussed on the distribution set-up for the new beer, granting—as seems to be granted—that no saloons will be allowed in the picture. The grocers, of course, assume that it's their baby. The National Wholesale Grocers Association in convention assembled has communicated to Chairman Collier of the House Ways and Means Committee its conviction that "wholesale and retail grocers should be offered the bottle and case business in spirituous beverages." They are a little upset by tendencies in some states to favor the druggist as a dispenser—perhaps because the latter is said to have had experience. Such fears seem to be groundless.

Chain stores confidently expect to make a big splash in beer. Albert H. Morrill, president of Kroger Grocery & Baking Co., talks of opening special beverage departments in all his outlets with sales restricted to unopened bottles and cases. There will, of course, be no drinking on the premises. The chains are already handling cereal beverages, can make the change-over without untying red tape.

Soft Drink Sentiment

Soft drink makers are not depressed over the new competition. Most of them deny that beer is any real competitor with their beverages—or vice versa; Coca-Cola, for example, points out that in moist Montreal its per capita sales are double those in the United States. Some of the soft drink makers are laying plans to turn their organized distribution systems to advantage in the beer revival. Coca-Cola's includes 1,250 bottlers serving more than 800,000 dealers. It could handle beer, too. Canada Dry is already in negotiation with representatives of the Czechoslovakian makers of Pilsner brews, is said to be dickering on exclusive agency contracts with other European brewers.

Distribution programs depend on state action after Congress gets through re-defining permissible beer. Today, New York, Massachusetts, Wisconsin, Montana, and Nevada have no state enforcement acts. Maryland never adopted any. Pennsylvania, Connecticut, Louisiana, Missouri, and New Mexico are set up to follow the federal definition of intoxicating liquors. Rhode Island has legalized beer. This makes 12 states ready to pull the cork when Congress gives the word. New Jersey, Delaware, Illinois, Ohio, Michigan, and California are expected to reach immediately for the corkscrew. Which leaves 30 states out of bounds.

Remote Repercussion

Behind the beer makers and distributors a whole host of related interests have been stirred by the promise of early modification. Bottle manufacturers, for instance. Owens-Illinois Glass Co. is talking of colored beer bottles designed to improve the social position of beer, adapt it to the tables of finicky hostesses. All bottle makers are happily anticipatory. G. I. Frazier, president of the Associated Cooperage Industries, writing to President-elect Roosevelt from that organization's convention at St. Louis, predicted that the return of beer, if sold in wooden barrels—which is the catch—would mean as much as $20 millions annually to the coöperage business. And, even if the old-time saloon is gone forever, R. F. Bensinger, president of Brunswick-Balke-Collender, whose bar fixtures did so much to make the old saloon what it looked like, feels that beer inevitably means fixtures—if only for domestic bierstuben.

Among newcomers that will be welcomed to the beer circle is General American Tank Car Corp. In pre-Volstead days large breweries had to ship their product to local bottling plants in kegs covered with ice—and pay freight on the returned empties. In 1920, after beer had gone out legally, the 6,000-gallon glass-lined refrigerated tank car came in. Since then 600 of these cars have been put into service hauling milk from dairy centers to the big cities.

Canada has shown that they can also be used profitably for transporting beer. Carling Breweries of Canada proved it first. For the past 3 years this company has loaded new beer into General American tank cars at London, Ont., and shipped it therein to its Montreal bottling plant where the brew is allowed to age before bottling. The cars are equipped to hold the temperature—about 35 deg. F.—at which the beer leaves the vats, and designed to prevent splashing and possible loss of carbon dioxide. General American counts on a beer demand to place 1,000 more of its cars on American rails.

Keystone

SOCIAL VISIT—Jacques Pol Roger, French champagne manufacturer, denies he's here on business but asks questions about the Volstead Act.

asting further afield, one observes influence of prospective modifica- on even the educational statistics. instance, the enrolment totals of the ted States Brewers' Academy of York, founded in 1882, suspended 918, re-opened with hopes in 1931. average pre-Volstead class was 18 20. Last year it attracted 6 good sers. The class of 1933—to be luated next spring—numbers 22.

nd last but perhaps not least among possible beneficiaries of beer are gangsters. Brewers are decidedly ried about the prospects here. Re- ing the history of the milk wars in cago and other cities, they agree that lization of their former trade is by means certain to end the beer racket. eady there are reports from Chicago gangster plans to "muscle in" on l beer distribution.

Acme

DEBTS?—Secretary Mills leaves a onference with President-elect Roose- elt. The smiling face in the back- round is that of Professor Moley, Roosevelt's economic advisor.

War Debts—World Prices

Forced payment of the December British debt instalment may prove depressing to some commodity levels, unless offset by extension of American credit.

AMERICAN business men have had a vivid illustration of the economics of international debts in the sharp decline of sterling and other associated exchanges and of certain commodity prices during the past 2 weeks of acute uncertainty about the payment of the December instalment of the war debts. The precise outcome of the current controversy over the debts is not yet clear. It is evident, however, that whatever is done about readjustment or revision of future debt payments, the debtor countries which have asked for reconsideration of the question have been told that they will be expected to pay the instalments due on Dec. 15. This applies to Great Britain, France, Belgium, Czechoslovakia, and Poland. Italy has not officially raised the issue; Germany and a few smaller countries have said they can't pay, and Greece has defaulted.

Great Britain will apparently make another attempt to secure postponement of the Dec. 15 payment by a diplomatic note presenting some of the possible consequences. The position of the present Administration is that while we cannot refuse reconsideration of the debts in the future, the Administration has no authority to postpone the Dec. 15 payments.

Would Ease Payment

President Hoover indicated that he favored reconsideration by reestablishment of the War-Debt Funding Commission, and suggested payment of the Dec. 15 instalment in the form of "blocked" deposits in foreign currencies in the debtor countries for transfer later into dollars under some sort of guarantee as to the exchange rate. This latter suggestion can be carried out at the discretion of the Secretary of the Treasury without asking Congress.

Apparently it was anticipated immediately after election, when the British and French notes requesting postponement appeared, either that postponement would be refused or that there would be difficulties in payment. Sterling declined to about $3.27 and wheat and cotton prices also weakened. When it became evident after the Hoover–Roosevelt conference and subsequent statements, that postponement was impossible, sterling declined to the lowest point on record.

The Scandinavian and Canadian currencies also declined in sympathy, though not so sharply. French francs were not much affected because the French debt payment is small compared with the British and there is no suspicion of French difficulty in securing dollars.

As has been the case ever since the suspension of gold payments by Great Britain, declines in the sterling exchange have unfavorably affected prices of commodities with world markets, especially those exported by this country. Wheat broke through its record low level. Cotton declined below 6¢ again. Silver repeated its record low. Copper, zinc, tin, cocoa weakened.

Wheat and Cotton Hit

Most important effects here were felt in the decline of wheat and cotton prices. This is due to the fact that as the value of the pound sterling in dollars declines, Great Britain, a large user of American wheat and cotton, has to pay more in pounds to buy these products. Consequently, she can buy less from us than formerly, and in order for us to export as much as before in competition with Indian and Egyptian cotton sold on a sterling basis or Australian and Canadian wheat likewise sold on the basis of depreciated currency, our prices in gold have to come down.

Security prices in the American market have not so far been much affected, except that trading has been at a standstill because of doubt about the outcome of the debt controversy. How they will be affected in the future depends upon what Great Britain does about the December payments.

There are several possibilities. That of default or refusal may be ruled out as extremely unlikely. Great Britain is a larger creditor nation than the United States and London is still the world's financial center. A default would liberate Great Britain's debtors from their obligations, or set an example in that respect, would ruin the prestige and confidence British finance commands, and probably start a flight of capital from England on a large scale. This would cause a complete collapse of sterling exchange, force outright inflation in England, and further depress gold commodity and security prices.

Great Britain may attempt to make the payments unaided. Although no one knows exactly how many dollars Great Britain commands in this and other markets in the form of liquid balances, it does not seem possible for Britain to pay the $95 millions here without shipping gold in rather large amount. British dollar balances here, according to current report, are about

$100 millions, half of which belongs to the British Treasury. To offset this, American cash balances in London are around $75 or $80 millions. This leaves a net amount of dollars available here sufficient to make only about a fifth of the December instalment.

Payment of enough gold to make up the deficiency would probably take at least a tenth of the gold reserves of the Bank of England. Such depletion of her domestic gold reserves and her dollar balances here would probably cause serious further decline in sterling and put the pound completely at the mercy of currency speculators. This, as already indicated, would tend to depress commodity prices further.

Could Borrow Credits

To avoid this result the British could borrow dollar credits from American bankers here or from French bankers who have large dollar balances here and deposit the payment in sterling abroad with some sort of guarantee of the exchange rate. If this were done quietly it would not disturb the sterling exchange, but if it were known, the effect would probably be as depressing as any of the alternatives. It would publish the fact that Great Britain was not in a strong enough position to make the transfer and probably stimulate speculation for the decline in sterling or a flight of British capital, with the usual consequences for commodity prices.

Finally, as a last resort the British might use the device adopted at the beginning of the war, secure the cooperation of patriotic British holders of American securities, and accumulate enough dollars through the sale of such securities in the American market. British security holders might be given British government bonds in exchange.

The steadiness in the American security market suggests that there has been neither any tendency to sell foreign security holdings here nor any tendency for flight of British capital as yet. Chances are that the chief effects of the payment or non-payment of the December instalment will be felt by the commodity markets.

Labor Laws

New England, disturbed by the textile industry's lowering standards, warns she will have to meet her competition in other states.

MASSACHUSETTS has served notice that unless and until other states bring their labor regulations for the textile industry nearer to the Massachusetts standard, she will be compelled by economic necessity to meet competition by coming down to their level.

Specifically, a moratorium is suggested suspending some of the restrictions; for example, women might be permitted to work until 10 o'clock at night, instead of being required to stop at 6 p.m.

The warning was sounded 3 times at the New England Conference—by Gov. Joseph B. Ely, by Henry P. Kendall, and in an official memorandum prepared by the officers of the Massachusetts division of the Council. Governor Cross of Connecticut and Lieutenant Governor Connolly of Rhode Island joined a plea for uniformity of labor laws.

In considerable measure, this is an after-effect of the desertion by an important minority of the industry's agreement against night work for women and minors (*BW—Nov23'32*). Some 80% of the spindleage of the industry agreed 2 years ago upon this policy, also agreeing that day-shift operations should not exceed 55 hours a week, or night-shift, 50. When more than 20% broke away from the agreement, its stipulations made reconsideration automatically necessary. The Cotton-Textile Instit met the situation by decreeing that he after each major division of the indus should decide upon the matter for itse so that the narrow sheeting and pri cloths groups need not drag the r along their path.

Why They Hurt

Restrictions on nightwork and ov time weigh with especial severity up Massachusetts because so much of t mill capacity left in the state makes fi goods, silk mixtures, cotton and rayo mixtures—goods in which the fashio element is strong. That means season demand, and rush orders.

Admitting that labor legislation w not the sole cause, Mr. Kendall neve theless insisted it played a large part pushing mills out of the state. He ga these figures:

From 1923 to July, 1932, 59 cotto mills liquidated and moved the m chinery out of Massachusetts, removin

G.M. S.O. G.E.

WORK-SHARERS—Three prominent backers of the share-work movement, representing three prominent industries. Left to right, Alfred P. Sloan, Jr., Walter C. Teagle, Owen D. Young at the dinner meeting for the plan in New York

capitalization of $60 millions, a value or tax purposes of $115 millions, on which $3 millions taxes annually were aid. A total of $56 millions in annual wages was lost to 56,000 employees.

New Paint

Metallic zinc brings its battleship gray from the European landscape o our own.

FAMILIAR enough in the industrial egions of the European continent, meallic zinc paint is beginning to win its way in the American market. Actively promoted by the American Zinc Institute, the paint is to be produced and pushed by 50 paint manufacturers in all parts of the country.

The principal pigment is a metallic zinc powder of such an extreme fineness that it is usually referred to as "zinc dust." With zinc oxide, it is mixed with linseed oil to make a paint that is particularly adapted for weatherproofing metallic surfaces, as of bridges, gas tanks, ship hulls. It sticks well to galvanized iron; most paints will not.

Early jobs in this country, the Mt. Hope, R. I., bridge; police traffic standards in New York City (as a primer coat).

Automatic Stokers

Coal men are fighting briskly to defend their market against the invasion of oil and gas.

FOR the first 9 months of this year, 55 manufacturers sold 4,254 automatic stokers for residential service (up to 00 lb. per hour feed) which is almost exactly as many as they sold in the better business year of 1931. Total sales of all izes of stokers were 6,209 against 7,877, the decline in industrial activity nd in apartment house construction utting the market for the larger sizes.

These figures may not seem large, ompared with sales of 20,000 domestic oil burners in 6 months of this year, but they are significant because they show n accelerating spread of salesmanship n the industry.

Householders turn to oil burners and gas furnaces because they want an even heat which is beyond the skill of most amateur firemen, because they hate running to the basement 2 or 3 times a day, because they don't like ashes. Coal men a little tardily discovered people wanted comfort and convenience, and would even pay money for them.

The automatic stoker is the coal men's answer. It gives even heat, automatically controlled. Some models remove the ashes automatically. Some even convey the coal from bin to fire. Others require hand filling once in 2 or 3 days in mild weather, 10 minutes' attention a day in cold weather. And all of them burn the cheaper sizes of coal with high efficiency. The sales argument is "All the good points of automatic heat with economy."

A step further, 50 coal dealers are selling "heat service." The householder pays so much a month, or a ton, and the dealer does all the rest—installs the stoker, keeps it filled, and removes the ashes.

Fostered by the coal industry, improvement in stoker design goes ahead rapidly. A stoker to use coke is being pushed, another which blows pulverized anthracite through jets.

The Anthracite Institute, is active, has helped develop several new coal-burning devices. Busy also is the Committee of Ten. The 10 organizations it represents are: National Coal Assn., Anthracite Institute, National Retail Coal Merchants' Assn., National Warm Air Heating Assn., American Wholesale Coal Assn., Stoker Manufacturers' Assn., Heating and Piping Contractors' Assn., Institute of Boiler and Radiator Manufacturers, National Sheet Metal Contractors Assn., Accessories.

Union Prices Coal

Illinois operators are told what their selling price must be.

COAL mining companies in Illinois have failed in the past few years, owing hundreds of thousands of dollars to miners in wages. No miner has forgotten the fact. Which explains the extraordinary notice served upon operators in the Belleville district last week by Local Union No. 4, Progressive Miners of America.

"For your information and absolute guidance, the following prices . . . shall prevail in this territory, and you are to govern your selling prices according to same: Mine run, $1.75; Furnace lump, $2.00"—and so on, through the list of grades. Continuing: "Each operator in this entire territory will receive a copy of this letter and no exceptions will be granted . . . we guarantee to promise you, that the severity of our method of procedure to accomplish the end we have decided must be; would cause you untold worry in perhaps having on your hands an idle plant."

Which isn't classic English, but conveys the idea clearly enough.

Operators did not appear to be terribly upset. For one reason, the miners stated frankly that the scale of prices was compiled after consultation with 20 operators.

Perhaps it is irrelevant, but one commentator brought up the reminder that labor unions are exempt from the operations of the Sherman Anti-Trust Act.

The Progressive Miners Union is a schism from the United Mine Workers. It split off in protest against the wage scale United signed, and held out for $6.10 instead of $5. Later, it capitulated to the $5 scale, but is independent still—and strong.

Add curiosae of mine labor history: Members of the United Mine Workers, acting without sanction of their union, induced the O'Gara and Wasson coal companies in Saline County, Illinois, to remove all machine loaders and conveyors from 4 mines, in return for a voluntary wage reduction of 10%. Other companies in southern Illinois showed little interest—said they would prefer machines to a 10% reduction in wages.

No "Premium" Gas

Detroit's price-cutting Sunny Service chain takes a knock on its gasoline rating.

DETROIT gasoline marketers have grown accustomed to opening their newspapers with misgivings. They have seen President Charles E. Austin of Sunny Service toss one monkey wrench after another into the delicate machinery of distribution. They have seen advertisements which boasted of better gas at lower prices, advertisements which featured cigarettes as loss leaders, advertisements which offered salad plates, glassware, and other premiums with 7 gallons of gas or an oil change.

And they have watched Sunny Service grow from a nuisance to a menace with 30 locations (*BW—Sep14'32*), largest chain in the city.

Last week they saw a Sunny Service advertisement which pleased them very much. It said, in boomerang English, "On August 24th we advertised Imported Zip, mentioning '80% better than regular gasoline'—'Save 3¢ a gallon'—'A premium motor fuel'—and 'High anti-knock rating.' Our attention has been called to recent analyses which showed that Imported Zip did not qualify as a premium gasoline, does not have high anti-knock rating, and failed to justify our claims of saving and superiority.'"

"Imported Zip" is the blend of Rumanian naphtha, coming in at ½¢ a gallon tax, and natural gasoline which

Sunny Service has been selling since the 2½¢ gasoline import tax went on.

The "recent analyses" were made by the Detroit Better Business Bureau, which submitted samples bought in the open market, identified by code number only, to a well-known testing laboratory. Imported Zip, claimed to be premium grade, actually tested third grade, failed to meet government specifications in some samples.

Detroit gas stations, viewing public acceptance of Sunny Service merchandising methods, wonder if gasoline marketing isn't more a matter of gasoline premiums than premium gasoline.

Sulphur

Louisiana changes its constitution, and wins an industry. Freeport Co. will build a plant and a town to work huge new deposits—and avoid Texas taxes.

VOTERS of Louisiana decided Nov. 8 to change their state constitution so that the ad valorem tax on mineral deposits may be abolished. This was not one of the election results that was blazoned on front pages next morning, but it will have far-reaching effects, nevertheless.

They have begun to appear rather promptly. Freeport Sulphur Co. has announced it will proceed at once to develop the sulphur deposit discovered in 1928 by prospectors exploding their nitroglycerine and reading their seismographs in Plaquemines parish, to the southward of New Orleans.

Freeport Co. will put up a plant, build roads, erect a village for workmen. It is a sizeable operation.

Texans read the news thoughtfully. The American sulphur industry was born in Louisiana, moved to Texas, seems now about to start back home. For Texas is imposing a tax of 75¢ a long ton on production. Louisiana proposes a 27¢ tax. That is an increase from its former tax of 15¢ a short ton, but it is accompanied by abolition of the old tax of .02% annually on the estimated value of minerals underground. As the Plaquemines sulphur deposit is estimated to be worth $100 millions, that was, in the Broadway phrase, important money.

America produces 85% of the world's sulphur; Italy the rest. We consume about 900,000 tons a year, export 400,000 tons. Of domestic production, Freeport Sulphur Co. and Texas Gulf Sulphur turn out 95%.

Texas Gulf Sulphur leases its beds—domes, to be technical—from the Gulf Refining people. Freeport Sulphur owns one dome, leases one from the Texas Co. The Plaquemines deposit was discovered by prospectors for Texas Gulf, which did not develop it. Shell Petroleum and Humble Oil acquired an interest, agreed that Humble should do the drilling to prove up the deposit. Now Freeport has taken over the development and operation.

Union Sulphur was the pioneer in the industry, first to use the Frasch process, a highly ingenious method of injecting superheated water which melts the sulphur and forces it to the surface in liquid form. When it solidifies, it is broken up with explosives and shipped. All American production is by this method. Union Sulphur was a bonanza to the original stockholders. It depleted its deposits, and ceased to mine sulphur in 1924. The stock survives in Wall street, because the company has oil wells and other holdings.

Sulphur prices have remained steady at $18 a ton. Greatest domestic users are manufacturers of acids, heavy chemicals, taking 327,000 tons in 1931; fertilizer and insecticide makers, 254,000 tons; pulp and paper makers, 178,000 tons. Explosives, dyes, rubber, electrochemicals, fine chemicals, paint and varnish, and foods take quotas in that order of magnitude.

Insulation

Use of aluminum foil in house walls suggested.

CRUMPLED aluminum foil is used in mechanical refrigerators, in various parts of ships, in refrigerator cars and trucks because of its efficiency as a heat insulator. Now it is suggested as an insulator for house walls.

Efficiency tables show a typical dwelling wall with crumpled foil transmits one-fourth as much heat as the same wall (clapboard, sheathing, plaster board, plaster) while even an uncrumpled single curtain of foil cuts heat leakage in half.

Rabbit Wool

Once imported, we now raise it and it will be pushed next spring.

ANGORA rabbit wool, despite a depression setback, has become established in the American market. Fall sales have encouraged producers and distributors, and they are laying definite plans to push it hard in the spring. Its fate thereafter, of course, will depend upon whether it catches fashion's whim.

Before 1930, it was unknown here. First imported in June of that year, it leaped into sudden popularity, with imports in 6 months of 84,000 lb. at an average value of $6.76 per lb. Imports for all of 1931 declined to 37,456 lb. (although the figures are not complete, because some ports do not segregate shipments from other wools and mohairs). Now a domestic industry of Angora rabbit keeping is developing, strongest in the Pacific Northwest, but found to some extent in various other regions, particularly in New England. A dozen mills are listed as producers of Angora rabbit yarns or goods.

The rabbits, which actually originated in Angora, yield wool 8 in. long when combed. The length varies from 1 to 8 in. when they are clipped. Clipping yields about 4 oz. of wool per rabbit, 3 times a year. In home craft work, the wool is used pure, spun on flax wheels imported from Sweden. The rabbit wool is so light and fluffy that it works best when mixed with silk waste, staple rayon, or fine Australian wools.

Underwear, babies' garments, waistcoats, golf hose, sweaters are among the final products from the yarn.

Clothing Deflation

Prices have dropped farther on men's clothes; production has been cut deeper on women's.

As signs of improvement timidly appear, the garment industry is emboldened to look back at the sunny peaks and measure the extent of its descent. The high point was March, 1929, the apparent low was last July. Comparisons between the men's clothing trades and the women's are interesting. Quantity for women's garments declined more than men's. Price deflation was greater in men's garments than women's. Average wages held better in the women's trades.

Figures of the decline have been compiled by the Alexander Hamilton Institute. For the companies studied, peak-to-bottom decline in prices of men's clothing was 50%; for women's, 40%. (The general commodity drop was about 38%.) Quantity decline for women's clothing was 64.3%; for men's, 44.6%. Workers on men's clothing fell from 154,000 to 93,000; on women's, from 208,000 to 80,678. Preponderance of part-time employment is indicated in the earnings decline. The average worker on men's clothes made $107.98 for his work during March, 1929, and $46.64 last July. Comparable figures for

CARTER'S
Midnight

The Business Week

SALES DESIGN—Old ink bottles were made for the manufacturer's benefit, the new Carter's Ink container considers the customer. Squat, wide-mouthed, it is hard to tip over, easy to use for filling fountain pens; a metal screw top replaces the finger-staining cork which always splattered.

the women's clothing industry are $115.67 and $62.53 a month.

Great stability of the men's clothing trades is reflected in the lesser decline in quantity, but price and employment demoralization is attested by other figures.

Drop Collar Button

British shirt substitutes a new wrinkle for the elusive back stud.

TRADITION-BOUND England, which has clung grimly to the over-head shirt, is considering a novelty in haberdashery. A company has been formed to exploit a new shirt collar designed to eliminate the back stud. The collar has a ridge in the fabric which rests against and under a corresponding ridge in the shirt neckband. The wearer simply lays the collar in position and fastens the front stud. Collar button interests see a serious threat in the general acceptance of the innovation, but their distress is counterbalanced by the hope of shirt-wearers for a 50% reduction in the time spent retrieving errant buttons from beneath bureaus and the like.

The device has been patented for all countries, but plans for its sale in this country have not yet been made.

Home Washers vs. Laundries

Depression was kinder to washing-machine makers than to laundries. As the consumer dollars decrease, the inter-industry competition increases—and gets dirtier.

THE laundrymen and the washing-machine makers, after 5 years of comparative cleanliness, are again washing dirty linen in public. The laundrymen, in a desperate effort to boost their business to the billion-dollar-a-year level, have again put the home washing machine on the spot. And washing machine makers have again countered with the economy argument, so powerful in times like these.

In June, 1927, the commercial laundries and the machine manufacturers decided on a policy of live and let live. By a sort of gentlemen's agreement between the National Laundry-Owners Association and the washing machine makers, both sides were to drop the charges and go after the business in a nice way.

Laundrymen launched an aggressive advertising campaign, set up a model laundry at Joliet, Ill. (*BW—Dec23'31*). They had already increased their business from $500 millions in 1925 to $700 millions in 1927, and their advertising appropriation from $4 millions to $6 millions annually. Their aim was $1 billion a year, which would mean 12 million customers at the accepted average of $80 a year.

Gains Washed Out

But fate, which is the old-fashioned name for the depression, intervened. The billion-dollar program was never completed. Laundry business slumped along with everything else.

Washing machine sales slumped, too. At the time of the truce, they stood at 775,000; the next year, 1928, saw them pushed to 809,884; then to 956,000 in '29. In 1930, the first full depression year, they fell to 802,000 but were shoved up to 812,000 in '31. This year's sales curve is on a substantially lower level, and drops steadily to a low of 29,949 shipments in July, lowest in years.

About this time, housewives began figuring in earnest what they could do with the laundry money. Washer salesmen, aided by utilities anxious to build domestic load, sharpened their pencils, told the housewife a washer and ironer would pay for itself in 30 to 66 weeks, depending on whether she did the work herself or hired a laundress. They talked, too, of electricity's great gift to women: emancipation from the washtub and the flatiron. Housewives listened eagerly to promises that the laundry money would buy a washer.

August washer shipments jumped to 48,961 units; September followed with 54,763—the best showing since October, 1931.

Laundrymen, concerned over a shrinking market, invoked the old argument of convenience, sounded the old warnings against amateur work: torn clothes, personal safety, costs actually higher than figured by crude home accounting methods.

Washer makers and power companies countered with revised estimates to include lowered costs of soapsuds, household help, and machine depreciation. *Electrical Merchandising*, spokesman of that section of the industry, remarked significantly that the electrical industry had successfully fought the iceman and the gasman, that the best argument for the washing machine makers was plain dollars and cents. Lower costs, not only in terms of suds and electricity, but in terms of clothes life, potent argument in days of lower income.

Doing It at Home

Laundry owners watch, sadly, the smaller and smaller bundles which their routemen bring in. They know perfectly well that more and more housewives, pinched for cash, are doing what they can at home, leaving the dirty work for the laundry, building an easy market for washing machines.

They are fighting the lack of household cash with "Economy Service," and "Thrift Specials," lowered prices generally. They are fighting the ancient prejudice against the power laundry with "visiting days," drivers who are salesmen as well. And, they suggest to the lady of the house, why not complete the emancipation from the washtub and the iron, send the whole wash to the laundry?

"Grand Rapids"

Applied to modern furniture, it means go slow.

STYLE forecasts from the "Furniture Capital of America" emphasize the warning note that accompanied the prediction of Chicago's furniture mart (*BW—Nov23'32*) that "furniture is going modern again." Grand Rapids' famous Furniture Exposition is showing modern designs but they are nothing like the abortions that created the fiasco of 1925-28. And Clarence S. Dexter, president of the Exposition, is expostulatorily certain that they are not going to be. "That furniture and its type is now entirely eradicated from both Europe and America." Let all furniture manufacturers take care that it doesn't come back again.

Grand Rapids experimenters in the modern art are showing examples of 2 trends. One is toward a contemporary design derived from the French Empire, Directoire and Biedermeier designs—all of proved acceptability. The other is toward "a distinctly created manifestation of modern thought in furniture as departing from all styles of the past." But they are treading this second path with careful feet.

Furthermore, they do not expect such new departures to relegate Early American and Provincial furniture to the back of the dealer's store. Grand Rapids manufacturers specializing in Early American report that we are still hot on the trail of our forefathers and that the demand for Early American exceeds any call for the modern.

Keystone

OVER THE RIVERS—New Jersey crosses the Hackensack and the Passaic with a 3½-mile bridge, part of an elevated highway which saves miles and minutes. It completes the express highway project between the Holland Tunnel and Elizabeth. Air transport companies, often balked by open drawbridges, now gain nearly half an hour in city-to-city time.

Butter and Eggs

They are worth more than twice as much as the wheat crop annually; they are cash in the farmer's pocket within 4 days; and they are rising.

BUTTER and egg prices have risen sharply for several weeks. Butter, 92 score, is around 26¢ at New York. A month ago, it was 20¢. Its low for 1932 was 16¢. Eggs, first grade, are 32–35¢ in New York; they were 24½¢ a month ago. They have sold as low as 13¢ this year.

The importance of butter and egg prices is seldom fully recognized. These are the sources of the farmer's cash income. What is more, their effect is immediate. Once he has sold his wheat, further fluctuations in the price affect his purchasing power not at all—and most farmers sell wheat soon after harvest. But they sell butter and eggs every week, if not every day in the year. A rise in the price of wheat now would not affect farm income materially until next harvest (nor does its recent drop hurt). But a rise in butter and egg prices is cash in the average farmer's pocket within 4 days, it has been calculated.

Wheat, by the way, is of less importance than either butter or eggs. In fact, our total wheat crop isn't worth half as much as butter and eggs combined. Figures for 1930 may not be perfectly typical, but they illustrate: farm value of wheat, $566 millions; butter, $608 millions; eggs, $789 millions.

Reasons for the current rise in butter prices are complex—but largely seasonal. It is the season of lower production. Milk production varies 50% between winter and summer. Storage stocks are shrinking. Low prices cause some decrease in butter production, not because cows give less milk when it is cheap, but for the peculiar reason that farmers in the great dairy sections, particularly the Northwest, eat oleomargarine and sell butter when prices are good, but they eat butter instead of selling it when prices are as low as they have been.

Egg production did not increase in the normal proportion in September and October. Besides, storage stocks are small. Egg dealers lost heavily for two years, so they did not lay in great stocks this year. Therefore the seasonal drop in egg output is quickly reflected in the market.

Incidentally, the old notion that we eat more butter in good times has no great foundation in fact. Butter consumption is curiously steady at 17¾ lb. per capita per annum. What happens is that we pay more for it when industrial payrolls are high, less when they fall.

Air Express Cut

Bigger loads per plane bring lower rates per package.

INCREASED use of air express service by American business (*BW—Nov23'32*) has brought a new reduction in rates for that service, the fourth since the Railway Express Agency inaugurated it 6 years ago. Packages dispatched over the system, embracing 11,226 miles of airline connecting nearly 100 cities, now travel at 15% to 30% less than the charges up to Dec. 1.

Typical reductions: a 10-lb. shipment now makes the New York–Chicago run for $3.44 instead of $4.40; flies from coast to coast for $10.44 instead of $13.60. Charges on a 100-lb. package drop from $44 to $30 on the former route and from $136 to $100 on the latter. Proportionate cuts are made on the in-between weights. Shippers gain further concessions from a decision to discard fractional weights in figuring poundage. Reductions also affect goods shipped from or to points off the air routes, traveling part way by rail.

The Railway Express Agency expects these reductions to increase air shipments of motor parts, style goods, other merchandise for speedy delivery.

Reciprocity

I.C.C. warns railroads and shippers to take a cure now or a law later.

THE hue and cry after the railroads that have been swapping equipment orders for shippers' promises to route traffic over their lines has ended—temporarily—in a whispered word to the wise.

To the roads, the Interstate Commerce Commission says that they had better consider the advisability of buying their materials and supplies on competitive bids and favoring the lowest bidder.

To the shippers goes an implied warning with the commission's refusal to accept its examiner's suggestion that shippers should be deprived of their right—written into law in 1909—to specify the routing of their shipments.

The I.C.C. isn't ready to ask legislation on buying practices or to make the majority of shippers suffer for the abuse of a privilege by a few but the threat of such legislation lies behind its report on "reciprocity." To make the threat stronger it reminded the carriers that its inquiry into practices that may be depleting revenues or increasing operating expenses (*Ex Parte* 104) is still under way. Recommendations to Congress may follow the conclusion of that investigation.

Of reciprocity, the commission said: "A practice sound and logical when indulged in strictly private business becomes a matter of concern when transplanted to a quasi-public enterprise because the waste incurred becomes a liability for which the public must pay," and "never have traffic considerations assumed such an important place."

Bus Revenues

With passenger loads lighter, the tax load has become heavier. Legislators will be asked to take due note of this.

BUS operators have been going over their books to total up their earnings and then going back to find out what's wrong. Passenger revenues for the first 9 months of 1932 fell below the level for the corresponding period of 1931. *Bus Transportation* puts the composite figure for 40 inter-city companies, 21 city and suburban companies and 116 city companies at 19.48¢ per bus-mile this year. That is a 13.48% decrease from the 22.51¢ rung up last year.

Inter-city lines were hardest hit. In the 9 months' comparison their passenger revenue per bus-mile dropped 4.47¢, from 24.32¢ in '31 to 19.85¢ in '32. That of city companies fell 2.75¢, from 22.27¢ to 19.52¢. City and suburban services were down 2.06¢ per bus-mile, from 20.78¢ to 18.72¢.

One thing obviously wrong was easily located in the record of passengers carried. For the first 9 months, declines from 1931 totals on revenue passengers per bus operated showed up as follows: For inter-city lines, from 15,430 to 15,120; for city lines, from 86,100 to 79,990; for city and suburban lines, from 71,800 to 63,750. Furthermore, the average fare has dropped from the level of a year ago: in inter-city operations from 74.3¢ to 63.4¢; on city lines, from 8.02¢ to 7.67¢; on city and suburban routes from 9.88¢ to 9.20¢.

On the other hand, operating expenses revealed offsetting reductions. Service, payrolls and number of employees have all been cut. For inter-city companies January–September operation costs per bus-mile are down 17.98% from a year ago; city companies have slashed 8.98%; city and suburban companies 4.36%.

One figure shows no such declines. For all lines taxes filched 7.66% of operating revenues for the first 9 months of this year against 6.71% for the same period of '31. Bus operators, made tax-conscious by the railroads' agitation for bigger and better taxes for their competitors, are inclined to make the most of this increase, will be prepared to show Congress and the state legislatures that it's no time to put heavier burdens on the industry.

Fare Cuts or Excursions?

Railroad men, debating the I.C.C.'s suggested cut in passenger rates, wonder if it would have as much pull as their familiar bargain offers.

NINE men have been delegated by the railroads to decide whether a reduction in the standard passenger fare of 3.6¢ per mile might attract more passengers. Individually, the roads have been wrestling for years with the question recently reduced to writing by the I.C.C. (*BW—Nov2'32*) but have compromised by offering bargain rates of more or less duration and scanning the results with more or less satisfaction. A majority appear to be doubtful but still open to conviction concerning the wisdom of cutting the standard rate.

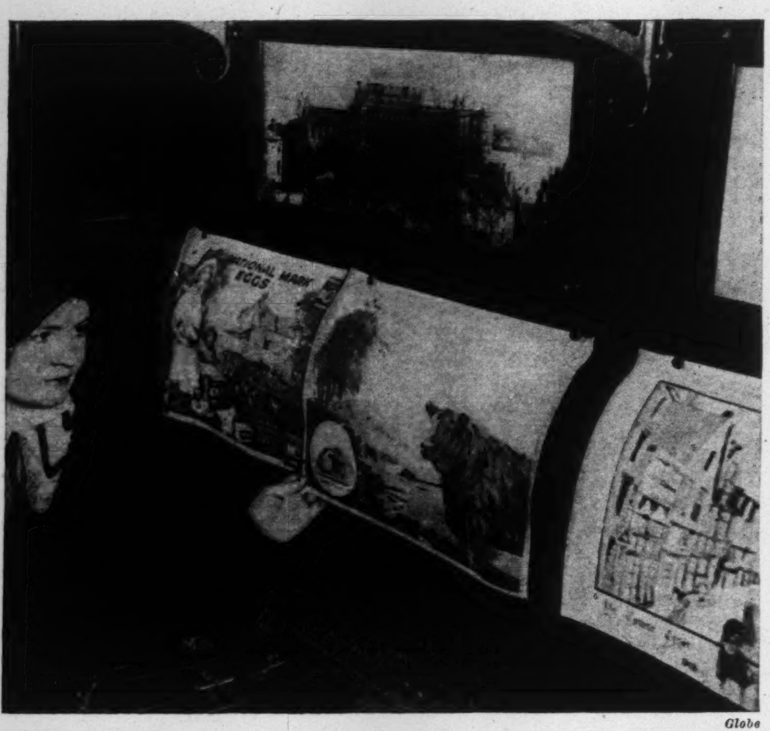
The variety of excursion rates has actually reduced the average revenue per passenger mile to 2.4¢ and it is debatable whether a cut in the standard rate to, say, 2.5¢ per mile would persuade the roads individually to abandon even lower excursion rates. Public psychology is a factor that must be reckoned with and if a general reduction, that lacks the impact of a succession of attractive excursion offers, loses its novelty before rail passenger service is resold to the public, it won't help much to take passenger operations out of the red. A report by the I.C.C. reveals that it costs the railroads $1.10 to bring in $1 from passenger operations. The deficit must be made up out of freight traffic that, despite the steady sapping of truck competition, still returns $1 for 68¢. There is some dispute concerning the proportion of operating expenses assigned to the two services but this is academic.

Pullman would probably benefit by a reduction in the standard coach rate. A cut from 3.6¢ to 2.5¢ per mile would cover the cost of Pullman accommodations of 7/10 of a cent plus the 50% surcharge that reverts to the railroads. The passenger traffic committee is likely to consider elimination of the surcharge in connection with the proposal to reduce the coach rate. This would probably hang on the Pullman Company's willingness to reduce its rate.

The question that is vexing the railroad officials doesn't make much impression on the callous public. It has become accustomed to walking into a ticket office and getting a round-trip ticket at something less than double the one-way fare.

Most of the railroads have permanent week-end tariffs on file with the I.C.C., offering round trips between some or all points on their lines for the one-way fare plus 25¢ or the one-way fare plus 10%. Because the roads figure on getting a certain amount of week-end business anyhow, these fares haven't been cut nearly as deep as the mid-week specials. In years past these mid-week excursion fares were confined mostly to special events at fare-and-a-half for the round trip. Now women are invited to do their shopping in metropolitan centers on round trip tickets limited to 2 or 3 days that represent only 60% to 75% of the one-way fare.

Innovations this winter are short-limit tour excursions, usually 3 months, made on the basis of the one-way fare plus



Globe

CAR CARDS DE LUXE—Even first-class compartments on this British train carry advertising, 4-color copy for eggs, beef printed on the linen head rests.

25% or 33⅓%. Regular winter excursion rates, usually effective for 6 months, generally remain at 1⅔ of the one-way fare but, in order to stimulate long-haul travel, the short-limit excursion fares have been put in between points where regular winter excursion rates never have been published.

Rail Umpire

Western roads' appointee will guide coordination, not dictate it.

RAIL executives announce the appointment of Harry Guy Taylor as Commissioner of Western Railroads, to take effect Dec. 15. The title has an imposing sound but the committee which named Mr. Taylor deplores exaggerated reports as to his powers. The commissioner will umpire disputes between the roads west of Chicago, St. Louis, and the Mississippi.

Newspapers inevitably used the word "czar" when Western roads agreed to the need of a coordinator. The word has a nasty sound to federal ears. In announcing appointment of their commissioner, rail executives seize the opportunity to genuflect in the direction of the Interstate Commerce Commission and state emphatically that he is not to be a dictator. The commissioner will have no authority to enforce decisions, can only act when disputants call him in. Most of his work will be settling squabbles between competing lines over freight and passenger rates, train schedules. Rate wars have wasted much of the last tariff increases; duplication of service between large cities has been a favorite target for criticism.

It is understood that several candidates turned down the appointment on the ground that it carried too little authority. Mr. Taylor is considered ideal for the place since he knows railroading but is not connected with any line. His previous position was manager of public relations for the car service division of the American Railway Association. He is Nebraska-born, was a newspaper publisher and railroad commissioner in that state.

An important function of the new commissioner will be to serve as a buffer between his roads and the I.C.C. By settling small, inter-railroad controversies he can prevent airing them before the commission and save the roads much adverse publicity. Such as the current row over whether the Cotton Belt shall be allowed an experimental tariff for hauling trucks and trailers.

The railroads are busy appointing peacemakers and cooperators to prove a desire to settle their own troubles. Recently D. T. Lawrence was made chairman of the Presidents' Traffic Conference. Its job is to stop pernicious rate-cutting, its territory east of the Mississippi and north of the Potomac. The Presidents' Economy Committee is another new device.

Nor has the National Transportation Committee been idling on a siding. This is the organization formed by financial interests to shore up crumbling rail securities. It is headed by Calvin Coolidge. The advisory committee of the Association of Railway Executives is preparing a brief for the consideration of Mr. Coolidge and his associates. It is said this document will insist that railroad troubles are due more to uncontrolled competition than to inefficient rail operation, that it will demand sweeping regulation of traffic on highways, airways, waterways.

Highway Traffic

Officials of all states recommend model code to regulate size, weight, speed of vehicles.

EVERY state is faced with the problem of regulating highway traffic. Roads and bridges are not designed, and could not be at any reasonable cost, to handle the behemoths that pound them day and night, multiplying rapidly in numbers, ever increasing in weight. And whatever the debate over details of restrictions, every thoughtful person, be he highway official, truck manufacturer, or shipper, agrees there should be uniformity. State lines mean little to truckers, and less to bus men, in laying out routes; it is essential that their vehicles be usable over wide areas.

Recognizing these facts, the American Association of State Highway Officials at their convention just held in Washington drew up and passed specific recommendations for a code. There is no likelihood that the code will be adopted unchanged by any great number of states. It is likely, however, that the rules suggested approximate those which a number of states will adopt rather promptly, while other states will follow in due course of time. The Federal Bureau of Public Roads is said to subscribe to the code with few reservations, and of course the recommendations of the highway officials will carry considerable weight with their own legislatures.

What They Want

Here are some of the outstanding recommendations:

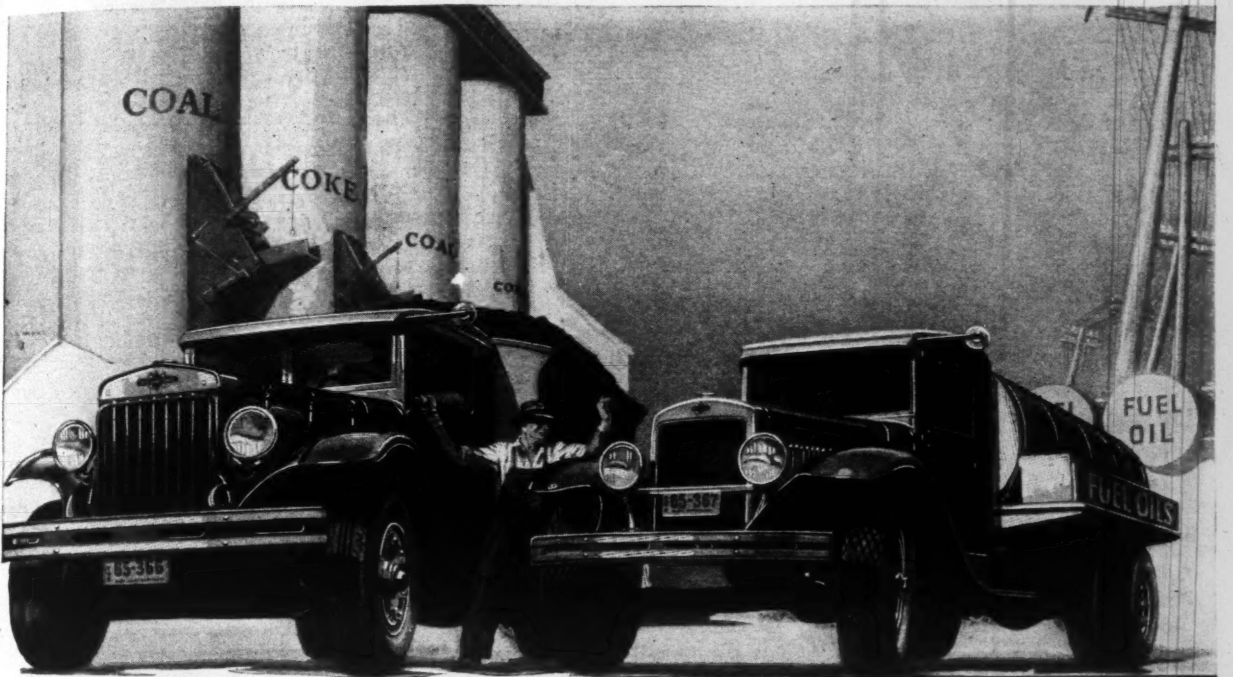
Greatest permissible width of vehicles —8 ft.; height, 12 ft. 6 in.; length—single vehicle, 35 ft. including front and rear bumpers; combination trains, 35 ft.; truck-tractor and trailer to be counted as one vehicle. Longer or wider loads or vehicles to be moved only under special permit.

Greatest permissible load—8,000 lb. per wheel, or 16,000 per axle with high-pressure, solid, or cushion tires; with low-pressure tires, 9,000 lb. per wheel.

Speeds—no vehicle to be allowed to travel so slowly as to impede normal flow of traffic. Limit of high speed for

KEEP THE HOME FIRES BURNING

International Trucks Serve Fuel Producers ... Fuel Distributors ... and YOU!



IMAGINE the nation suddenly deprived of every ton of coal and coke—every gallon of fuel oil. With the first blast of icy winter, stark misery would threaten seventy-five per cent of the country's population.

The nearby forests which fed the hearths of our forefathers have vanished. The whang of the axe in the woodshed is replaced by the hum of high-powered trucks on street and highway, delivering an unfailing supply of one of man's primary needs—fuel.

To meet this human demand, a giant industry has developed—a nationwide net of mines, wells, processing plants, and distributing facilities, totalling a combined investment of more than eleven billion dollars.

There may be a difference of opinion on the relative merits of various fuels, but when it comes to their transportation, producers and distributors alike are agreed on the dependability and economy of International Trucks.

Moderate first cost, rugged reliability on all roads in all weathers, long life, low operating costs per mile, per ton, or per gallon—these are definite realities which have contributed to the preference for International Trucks in this exacting industry. And equally so in every other line of business. Yours as well.

No Matter How Varied Your Transportation Requirements Standardize on International Trucks

The International Line is complete. It includes fast, light trucks for pick-up work; smart stream-lined speed trucks for deluxe delivery service; heavy-duty units for heavy hauling, and trucks especially built for dump work or semi-trailer service. Bodies and body equipment for all needs. International sizes range from ¾-ton to 7½-ton.

New low prices prevail on the entire line. The 1½-ton, 4-speed Model A-2, for instance, a general utility truck for the average business, has been reduced to

$615

for 136-in. wheelbase chassis
f. o. b. factory (taxes extra)

International Company-owned branches at 188 points and dealers everywhere assure you unmatched service.

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INTERNATIONAL TRUCKS

trucks or buses, 45 miles per hour. Limit for vehicles with solid rubber or cushion tires, 10 miles per hour.

Truck men and some shippers may be expected to fight in every state against these limits on weight and length; many outfits are on the road which transcend these restrictions. Bus operators will protest vigorously against the 45-mile speed limit.

Real Estate Bonds

New committee of protective committees is set up to coordinate rescue of $55 millions of realty issues with Judge Seabury as arbiter.

HOLDERS of defaulted real estate bonds are flattered by a growing solicitude over their misfortunes. The American Arbitration Association has set up a national plan designed to short-cut devious and expensive legal procedures and reorganize properties at a minimum cost (*BW—Nov2'32*). One reason for the move was the re-exploitation of bond buyers by some unscrupulous issuing concerns which perfected a technique of exorbitant reorganization charges.

Now comes another move heralded as an aid to the holder of defaulted bonds. It is a merger of the 3 principal independent "protective committees." The Real Estate Bondholders Protective Committee is its name, New York its address. Composing it are: (1) The Real Estate Bondholders Committee, George E. Roosevelt (a nephew of T. R.), chairman; (2) the General Committee for the Protection of Real Estate Bondholders, Dr. E. R. A. Seligman, professor emeritus of political economy at Columbia University, chairman; (3) the Protective Committee for Defaulted Real Estate Bonds, Henry R. Hayes, vice-president of Stone & Webster and Blodget, chairman. Judge Samuel Seabury, who did such a good job exposing Tammany evils in New York, was counsel for the Seligman committee. He becomes final arbiter for the merged Real Estate Bondholders Protective Committee.

There's Lots of Work

Advertisements of the new committee pledge it to the interests of the bondholders. It will take over the $55 millions of bonds already deposited with component units by nearly 50,000 holders. Other bondholders are asked to place defaulted real estate issues with it. Certainly the field offers plenty of room for representation. In the past 10 years 6,500,000 citizens bought over $10 billions of realty bonds, more than half of which are now in default.

Advantages claimed for the merger are coordination of protective measures, concerted action along effective lines. Judge Seabury will have final say as to fairness of all plans, will OK rates of compensation. Final arbiter for fees to be paid Judge Seabury will be a judge of a federal court or his nominee. All reorganizations must be preceded by a hearing before Judge Seabury at which any bondholder may register protests or ask questions.

Arbitration Body Recognized

Nor is the ambitious plan of the American Arbitration Association ignored in the new set-up. Arbiter Seabury "proposes to avail himself of the facilities of the American Arbitration Association whenever he may deem such course to be in the interest of bondholders." The association expects to discover later whether it is to be more definitely included in the activities of the new committee. Students of the tangled situation consider this point important. Relations between the association and the new committee will not be known until the exact wording of the committee's deposit agreement is published. It is expected next week.

That deposit agreement is going to have a lot of eager scanners. It is through abuse of deposit agreements that predatory "protective" organizations have re-stung the bond buyer. These are instruments the bondholder must sign when he turns over his securities to a reorganization committee. One that now lies before the writer contains 52 pages of type, with some 15,000 words. Phraseology is so full of legal jargon and involved phraseology that the layman daring to read it would emerge with nothing better than a headache and a sense of bewilderment. Usually the bondholder signs, hoping for the best. In the most flagrant cases the agreement gives the reorganizers the right to charge as much as they like, to arrive at whatever decisions will profit them most.

Natural Reservations

Pangs suffered in the past make the bondholder wary of cheering even at the name of incorruptible Judge Seabury. Skeptics point out that the judge is an eminent and high-priced lawyer, that his associates will have to be paid as well. There is no doubt as to the integrity of the Real Estate Bondholders Protective Committee, but the question of whether it is an expensive device must be answered by its operation.

Holders of defaulted bonds await the forthcoming agreement of the merged committee to see if (*a*) the agreement places absolute authority in the committee's hands, (*b*) if it allows dissenters any appeal from Seabury decisions.

Paul

INSTEAD OF CHAMPAGNE—Naturally they used milk with which to christen the Dairy Building at the Century of Progress Exposition in Chicago.

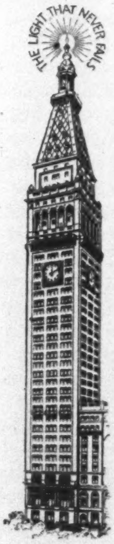
How Business is Affording Employees the Comfort of Security

Metropolitan Life's contracts afford a means to

- —create estates and incomes for families
- —pay off mortgages
- —educate children
- —provide income in the event of retirement
- —establish business credits
- —stabilize business organizations by indemnifying them against the loss of key-men
- —provide group protection for employees covering accident, sickness, old age and death
- —provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.


THE LIGHT THAT NEVER FAILS

"Your company has decided to adopt a plan by which, if it meets with approval, all the men and women in your departments will receive fixed incomes for life at retirement age. I will explain the plan."

FEW men or women accumulate property enough so that income may go on when earnings fail because of old age

Security as to the future, the security that gives confidence and wipes out worry about old age, may be had today without the help of relatives, personal friends or government.

Security not born of hope or good intentions but based on stipulated payments actuarially determined and applied in strict accordance with Insurance principles.

Such security provides a fixed income beginning at a predetermined age and continuing for life.

Employees, ranging from president to office boy, are joining their employers in building up for themselves retirement incomes through Retirement Plans administered and safeguarded by Life Insurance Companies.

Employers are finding out that scientific Retirement Plans make for good will, open the paths of promotion and increase efficiency in their business.

The Metropolitan has been administering Retirement Plans for industry for ten years. Its experience is freely open to business executives.

A Metropolitan Field-Man will be glad to discuss examples of Retirement Plans now in successful operation.

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

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Acme

NEW HOUSE BUILDING—Covering a full block, opposite the older House of Representatives office building, this new white marble structure to provide additional office space for House members is nearing completion in Washington.

Recovery Program

Activity of major Administration recovery agencies seems to be slackening as the pre-election pressure has passed, but the private industrial rehabilitation drive progresses hopefully.

LATEST report of the Reconstruction Finance Corporation shows that distress loan demands from banks and other financial institutions were smaller in October than in any preceding month. The R.F.C. received 600 applications from banks, other institutions, and railroads as compared with 700 in September and an average of around 1,200 per month during June, July, and August, and 1,500 in April, peak month. Loans actually authorized during October for banks, trust companies, etc., were $33 millions as against $43 millions in September. The number of cancellations of requests by borrowers was unusually large, as were repayments.

This was not the only encouraging feature of the October record. Loans authorized to finance self-liquidating construction were larger—$81 millions in October against $53 millions in September. Another large October item was a subscription of $36 millions of capital for establishment of the 12 agricultural credit corporations.

As an offset to these favorable items in the list, loans to railroads and relief loans to states increased.

Incidentally, the October report gives some idea of the geographical distribution of part of the loans. About $400 millions of the total from July 21 to the end of October can be allocated to separate states. Of this amount more than one-fourth, or $112 millions, went to California. This is accounted for chiefly by large construction loans. Next was Illinois with $32 millions, followed by Pennsylvania wtih $29 millions, and Louisiana and Ohio with $21 millions each.

The R.F.C. had actually loaned a total of $1,397 millions up to Nov. 1, of which $253 millions have been repaid, leaving $1,143 millions of loans outstanding. The Corporation had made these loans with $1,175 millions which it had borrowed from the Treasury by the sale of $500 millions of its capital stock and $675 millions of its notes.

The amount already repaid is noteworthy. Most of this came from banks; banks have repaid more than a fourth of their borrowings. None of the unemployment relief loans to states has been repaid as yet. These relief loans so far amount to less than $40 millions, so that there would seem to be a large margin of federal funds available out of the $300 millions appropriated for unemployment relief.

About $65 millions of the money loaned by the R.F.C. was distributed through the Secretary of Agriculture for crop production purposes to half a million farmers in every state except Rhode Island. About a sixth of this amount has been repaid. The R.F.C. would like to see this stopped by Congress. The R.F.C. wants to make its agricultural loans itself through the agricultural credit corporations so that it can have better security and avoid the political pressure necessarily involved in direct crop loans to farmers.

Farm Credits Important

The agricultural credit corporations are becoming the principal agencies of credit assistance to farmers through the use of R.F.C. funds. Nearly $2 millions have been disbursed by these corporations so far.

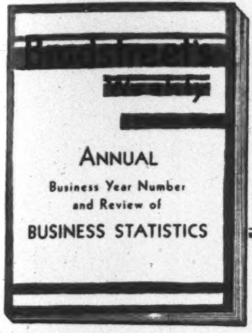
Railroads, 55 of them, have borrowed nearly $300 millions. Less than a fifth of this, about $57 millions, has been for construction work and repairs of equipment which has supplied direct employment. The rest has been to take care of financial difficulties.

Besides railroad construction loans, the only other disbursements of the R.F.C. which were intended to provide direct employment have been self-liquidating construction loans, which total $135 millions. So far as is known, only $360,000 of this amount has actually been paid out and only about 1,000 men are actually working on a construction project as a result. The lone project is the middle Rio Grande water control district in New Mexico. Another 1,000 men are reported to be working on the Southern California water district project, but most of the estimated 23,236 persons due for jobs as a result of R.F.C. loans authorized are still waiting for the whistle. Legal obstacles, local political opposition, and other difficulties are holding them up.

Conspicuous Slow Motion

The most striking instance of governmental relief slowness is seen in the Federal Home Loan Bank system. The 12 regional institutions were open for business Oct. 15. So far only one loan, to a Pittsburgh institution, has been made. The system has been flooded with applications from individuals and has been busy spending such applications to some other lending institution in the district which might be able to help. The Home Loan Bank authorities have said that they would not make loans to any borrowing institution merely to keep it liquid. The system would give preference to loans which would be promptly passed on to home owners for refinancing, modernization, or repairs, or for new build-

LOOK OVER THIS TABLE OF CONTENTS:



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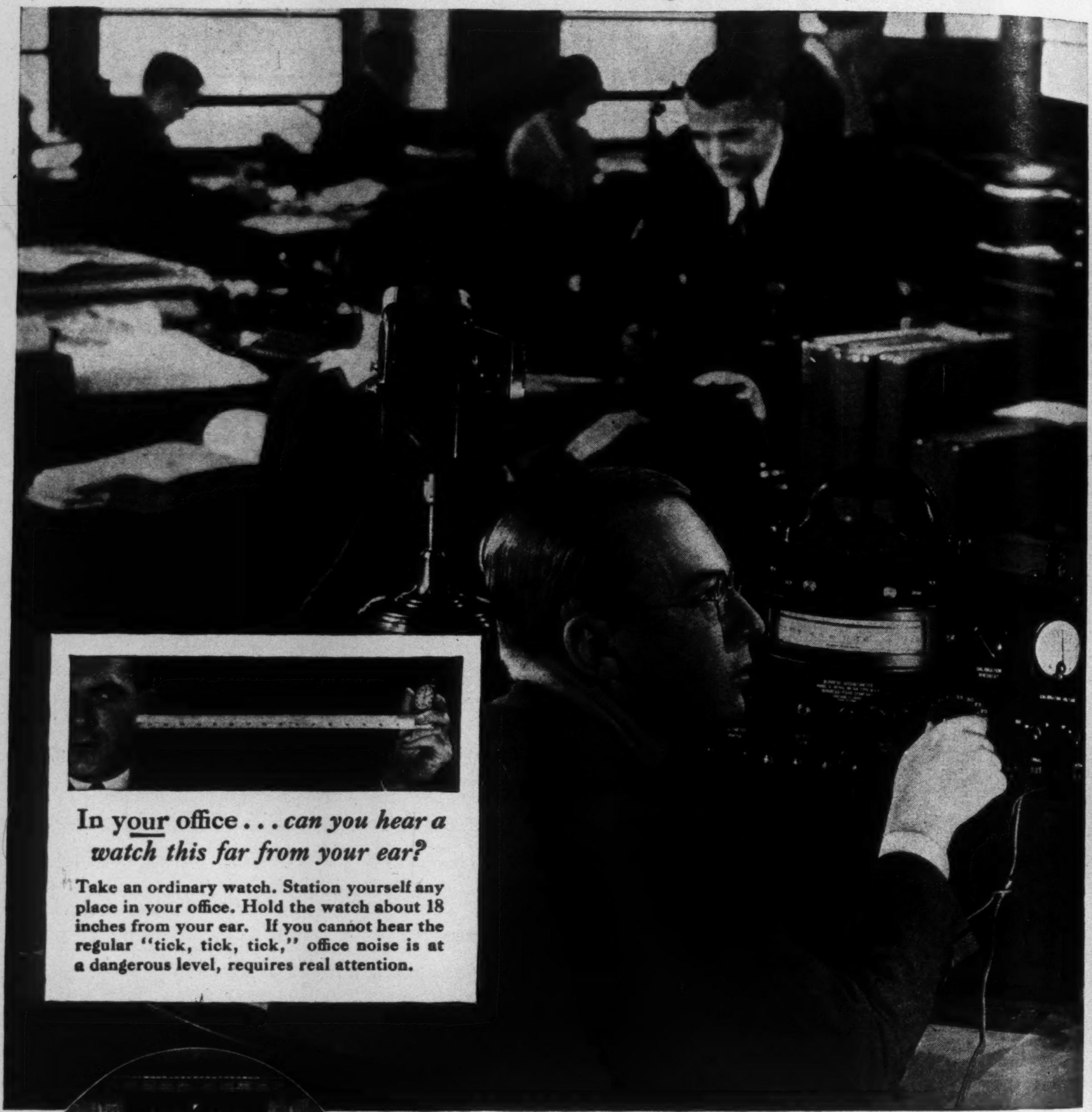
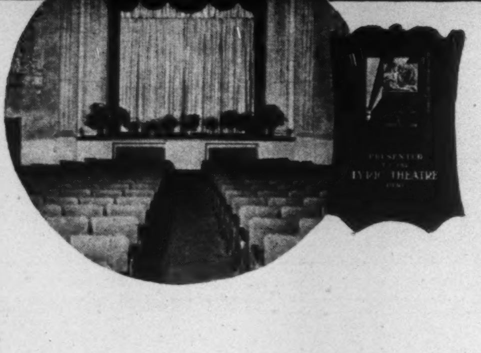
What! — my office as



In your office . . . *can you hear a watch this far from your ear?*

Take an ordinary watch. Station yourself any place in your office. Hold the watch about 18 inches from your ear. If you cannot hear the regular "tick, tick, tick," office noise is at a dangerous level, requires real attention.



Engineers Investigated . . . Marveled . . . Awarded this theatre a Bronze Tablet!

In three hundred motion-picture theatres using a standard type of sound equipment . . . engineers of the equipment company made extensive acoustical tests.

In none did they find the high quality of sound reproduction achieved in the Lyric Theatre, Binghamton, N. Y. . . where Johns-Manville Sanacoustic Tile on the ceiling greatly contributed toward making this fine record possible.

Other engineers, representing a national theatre and screen publication, came to see . . . conducted another investigation . . . and as a result of their findings awarded a bronze tablet reading: "A Mark Of Honor Has Been Awarded This Theatre For The High Quality Of Its Reproduction Of Sound Pictures."

noisy as TIMES SQUARE?

■ **With a delicate scientific instrument for measuring noise . . . the Acoustimeter . . . Johns-Manville engineers find noise of dangerous intensity in the average general office.**

"Yes"—says the Acoustimeter

And in your office, too, Scientific Tests show, NOISE is probably taking its toll, fraying nerves . . . impairing efficiency, *even doubling costly clerical errors*

THE general offices of a large mid-western insurance company. Typewriters clattered. File cabinets slammed shut with dull metallic thuds. Feet shuffled. Voices droned. And the jangling of telephone bells never seemed to stop.

Two men stepped out from the general manager's office . . . into this general office clamor—so typical of offices everywhere.

"I told the chief," one was saying, "to forget about the noise. People get used to that. But he thinks there's some connection between noise and the errors that are always cropping up. So here *you* are."

For a moment the Johns-Manville Acoustical Engineer just glanced around the room, listened carefully. Then he said:

"*You* may not know it—but this office is probably as noisy as Times Square . . . and I'll prove it by the acoustimeter . . . the most accurate instrument for measuring noise."

So they tested the office from corner to corner . . . at every hour of the day . . . proved that noise as intense as at one of the world's noisiest traffic intersections was pounding into the ears of the workers . . . sapping energy . . . distracting attention . . . causing errors the manager had blamed on his staff.

It pays to CONTROL *noise*

Two days later they set out to *control* that noise . . . installed Johns-Manville Sanacoustic Tile on ceiling surfaces . . . deadened reverberations . . . gave workers a chance to "hear themselves think."

Errors dropped 42½%! "Sick absences" 10%. And the yearly saving is estimated at close to $400!

For 18 years Johns-Manville has fought noise . . . In hundreds of offices today the experience and skill acquired are effecting material savings . . . may do the same for you. Write today for the booklet . . . "Solving the growing problem of noise." And call on the Johns-Manville Acoustical Engineer. His survey costs you nothing . . . entails no obligation.

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ing. So there has been very little business doing for the Home Loan Banks.

A more serious difficulty hampering operation of the Home Loan Bank system seems to be the failure of building loan associations and savings banks to join. So far, the larger part of the capital available has been supplied by Uncle Sam. The system has not yet begun to consider the sale of its bonds or other securities to the general public to secure additional funds.

To offset the slackness of demands upon its resources except for emergency relief purposes, the R.F.C. is said to be considering loans through agricultural credit corporations on wheat and other farm products stored on farms. It is permitted to do this under the law, to promote orderly marketing of agricultural commodities. The immediate purpose of course would be to try to check further collapse of farm prices, now at record low levels, by enabling farmers to hold their crops and yet get some money to live on and pay taxes with. If carried out, this would be tremendous extension of the surplus control operations for which the Federal Farm Board was so greatly criticized. The R.F.C. would be taking over the Farm Board job in that respect.

Industry Helps Itself

In contrast to the appearance of apathy and inertia in activities of the Administration agencies of business improvement, the organized drive of the industrial rehabilitation committee for modernization and improvement of plant and merchandising facilities is going forward aggressively. The local committees now established in all important Federal Reserve districts, spurred by the direct interest which they have in stimulating employment and developing new business in the capital goods industries, have succeeded in loosening up a surprising volume of equipment orders.

It is reported that new equipment in value of about $2½ millions is being installed by manufacturers in the Chicago Federal Reserve district as a result of these efforts, and according to James D. Cunningham of the Chicago committee, $1½ millions worth of work has been started in the Chicago city district. This includes expenditure of about $1 million for new equipment by International Harvester and $400,000 for plant extensions by U. S. Gypsum.

Japan Strikes Oil

Experts turn Manchurian coal into the long-sought "essential."

JAPAN is lacking in numerous so-called "essential" raw materials. Especially from the military point of view is the island empire deficient in sources of oil.

Small wonder, then, that black eye-

ows arched high over almond eyes
cently when officials announced from
okyo that experts had found an im-
ortant source of oil. Coal from the
ines which Japanese have operated for
ars near Mukden in Manchuria—
tably the "open-cut" Fushun colliery
has been made to produce oil under
low-temperature carbonization process.
ost important, volume is large. On a
mmercial basis, 2 tons of coal can be
ade to produce 1 ton of heavy oil.
ith Fushun coal available at 1.50 to
yen a ton (roughly 30¢ to 40¢) at
thead, it is contended that the proc-
s is economical.

Fushun's Development

When the Japanese forced the Rus-
ans out of Manchuria about 30 years
o, one of the things they set out
mediately to do was to extend the
ilroads and modernize the coal mines
the region. Most important of these
as the Fushun, 30 miles east of Muk-
n. It was producing about 300 tons
day when they got the old equipment
operation after the war. In 1930,
uth Manchuria Railway officials—re-
onsible almost from the first for the
velopment of the mines—reported
at they had spent about $56 millions
veloping them, and were getting in
turn nearly 30,000 tons of coal a day.
ost of this tonnage was coming from
e Fushan mine, whose seam ranges
om 130 ft. to 430 ft. in thickness com-
red with the 2 ft. to 40 ft. seams of
ost Ameriean and Europe mines. Ger-
an and American mining equipment
lped to make this record.

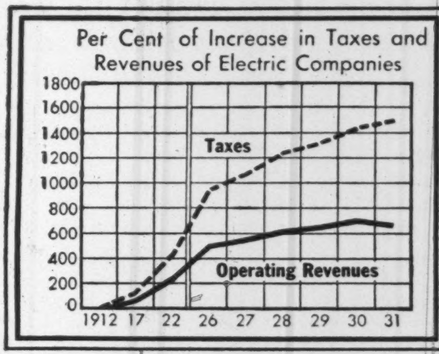
Tokyo's official report of the new oil
roject ends significantly: "This devel-
pment will contribute to national de-
nse and to Japanese industrial devel-
pment. It may bring about a revolu-
on in world oil circles."

ilk to Tokyo

o send silk to Japan is almost like
rrying coals to Newcastle.

In recent years a few Japanese fila-
res have found it profitable to turn
om the weaving of low grade raw
lk (largely for special domestic con-
mption) to the weaving of silk cloth
ith thread reclaimed from silk rags
ought in the United States. This year,
ith a big demand for cheap silk prod-
cts, more filatures found it profitable
unravel silk rags and weave from the
claimed fiber. When the industry
ade a checkup on the matter, it was
und that the volume of silk rags com-
g into Japan annually had reached a
tal of 60,000 bales. This is about
ual to one month's shipment of raw
lk to the United States. And since
ere is no duty on these imports of
lk into Japan, the trend is likely to
ntinue.

$210,000,000 Payment in Taxes



ELECTRIC utilities paid $210,000,000 in 1931 for taxes, 3% more than in 1930. This amount went to government agencies in the following proportions: Federal government, 23.9%; municipal, 36.5%; county 16.3%; state, 10.1%; special, 13.2%.

Electric operating revenues have been increasing only half as fast as taxes over the last twenty years, but even with increasing tax payment electric companies have been able up to the present time to lower residential rates consistently. The present average rate per kilowatt-hour is 37% lower than in 1912.

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Germany "In Prospect"

Hitler is not in control but Germans thought for a time that he would be, reviewed some of his principles. They may yet be proposed in Berlin.

BERLIN—When Germany's old dictator—President von Hindenburg—invited Adolf Hitler to Berlin to talk about forming a cabinet, Germans dug out Nazi pronouncements on economic policies to see what they might expect.

When Hitler turned down the responsibility of forming a cabinet unless he could have almost dictatorial power (which Hindenburg refused), and the "old man" resorted to another "presidial" cabinet, but one which would attempt to include Nazi representatives, Hitler policies became popular street talk.

The Reichstag is due to convene Dec. 6. In the interval not much can be accomplished by the new government. What can be expected from the Nazi influence, however, can be summarized from Hitler's own "Immediate Economic Program" and from statements made by Gregor Strasser, the Nazis' chief economic adviser:

Hitler's Program

1. Provide work by credit expansion. "Capital does not create work; work creates capital." In order to absorb the 5 million unemployed, public and private investment to the extent of $1½ billions would be necessary. About one-half of this amount can be provided by savings on unemployment relief. The other half would be provided by a credit of the Reichsbank to the Reich.

2. Abandon the gold standard. There are 2 reasons in the minds of the party for this policy: The gold reserve of the Reichsbank is insufficient to maintain the standard, and a lower exchange value for the mark would strengthen Germany's competitive position on world markets.

3. Lower interest rates. The fact that Bruening's compulsory reduction of interest rates did not have the detrimental effect on business predicted by many financiers and economists is quoted in support of the plan.

4. Foreign private debts should be revised. Long-term debts: interest rates should be scaled down to the rate prevailing in the creditor's own country for similar investments. Short-term "standstill" debt: this should be prolonged for several years, and interest and amortization should be revamped to fit Germany's probable ability to transfer to foreign currency.

5. Develop a policy of self-sufficiency. Everything that can be produced within the country should be produced there. Requirements in raw materials should be covered as far as possible in neighboring countries and not from overseas countries since these latter supplies are too insecure in time of war.

These are the highlights of the Nazis' program. Though they are the largest single party in the Reichstag, they have never had the power to bring these measures to a real test. The steady swing of Dr. Bruening's government (in its last days nearly a year ago) toward many of the principles of the Nazis has given Germany a taste of what Nazi "rule" would mean.

Abandonment of gold is already admitted by the Nazis as unwise unless it should prove necessary in the true interests of the country. And abandonment of the so-called "von Pap economy program" is unlikely. It h been too successful for Hindenburg allow it to be dropped. But a defin program beyond one which will "ca on" cannot yet be outlined. Busin is simply speculating on the influe the Hitlerites will have on the cabin There is as yet definitely no alarm as result of the political readjustment.

Ship Fares Up

Transatlantic lines raise fares an attempt to stop losses. Ne rates still below last year's hig

IT'S soon going to cost more to go Europe. Transatlantic passenger lin are raising fares Dec. 5, and promisi to boost them again during the ru season next summer.

While travelers who are hoping get in a European trip even on a duced salary will wince at the ne business men are aware that it may a wise move. Since the lines cut r

HITLER REFUSES CHANCELLORSHIP—The Nazi chief leaving von Hinde burg after the "old man" had offered him the chancellorship, with provisio Hitler demands "All or nothing." His party returned the largest number representatives to the Reichstag, but without a coalition they lack a majori

A

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IF you read THE BUSINESS WEEK yourself, and like it—if you find it stimulating and helpful to you in the conduct of your own affairs—what better Christmas remembrance could you offer to a business associate or friend who fills a responsible executive position similar to your own? Naturally it isn't the kind of gift we'd recommend for everybody. Your own good judgment and knowledge of the publication will guide you in selecting the names of those whom you would favor.

The exchange of Christmas Gifts tends to become so much a matter of routine that the original spirit of friendship, sincerity and genuine helpfulness has all but gone. Why not offer this year, of all times, a truly useful gift and one which will come to your friends not once, but fifty-two consecutive weeks during the ensuing year, as a reminder of your thoughtfulness.

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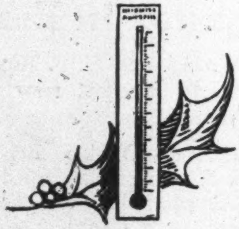
Run over the names of your business contemporaries now. Select those to whom you would like to make such an attractive gift. And tell your secretary to handle the details. If a name you send in should already be on the subscription list, you will be promptly notified.



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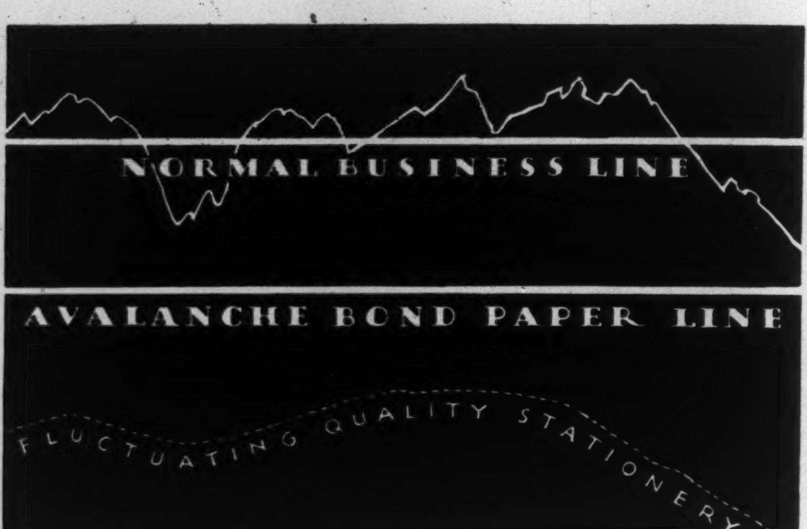

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drastically last spring in the hope th they would reduce losses by makin travel so cheap that it would be mo expensive to stay at home, there h been no real improvement in busine If more persons traveled this year th would normally have attempted a vac tion at sea, the increase was not gre enough to make up for the smaller turn per person. Several lines final decided they would withdraw from t conference unless rates were readjuste

At the conference in London l week, these adjustments were mad First, cabin, and second class fares w be raised 6% on Dec. 5. Tourist rat will be raised $5.50, and third class on the westbound voyage. This co trasts with the general 20% reducti made in fares last spring.

In keeping with the times, charges f "special" accommodations will be add as a sort of surtax. And next summ during the rush travel season, rates w be jumped another 5%.

Shippers in the United States watch cabled reports from London in vain f any news about reclassification of shi on the Atlantic. Everyone expected th something drastic would be done. R cently the giant 3- or 4-class luxu liners have lost a part of their pop larity to the new cabin ships whi have proved exceedingly comfortab are democratic (important when t depression forces one to struggle keep face), and are fairly fast. Som officials would have all first-grade shi put into a new "Class A" and then va passage cost only according to the a commodations. This would automa cally make the base fare on the cab and "class" ships the same. It wou be a radical change of policy, howeve and London conferees evidently cou reach no decision last week.

Lastex in Europe

Dunlop and U. S. Rubber cooper ate to market new products i Europe.

LONDON—Dunlop Rubber Co. an U. S. Rubber have fused their interes here, particularly to sell in Europe the new latex thread products. Merge interests will function in London the Dunlop-Revere Thread Co., Ltd.

Says *The Financial Times* in makin the announcement: "The new organiz tion will continue the manufacture an sale of the standard products of the companies and will also develop certa new lines." These new lines inclu importantly "lastex" (*BW—Nov30'32*) the newly marketed elastic yarn whi some clothiers believe will have a pr found effect on various industries, i cluding the underclothing and bathin suit businesses.

Wide Reading

GOVERNMENT ECONOMY. Stuart Chase. *ribner's,* December. It is estimated that f we return to the 1929 level of output, e can absorb only 55% of the present employed, so great has been the march of ficiency and labor-saving devices during the pression." Perhaps large-scale government penditures offer the way out.

LABOR—THE CRUCIAL FACTOR IN BUSI-ss RECOVERY. Chester M. Wright. *Magine of Wall Street,* Nov. 26. The economist of the A. F. of L. looks at problems of nemployment in the light of mass purasing power, average wages, big incomes.

WHY FIFTH AVENUE STRATEGY WON'T LL THE FAR WEST. *Sales Management,* ov. 15. Sales appeal differs widely. Retions vary. Advertising is adjusting its e of attack to fit geographic peculiarities.

NORTH AMERICAN BUILDS FOUR-WHEEL EFRIGERATOR CAR. *Railway Age,* Nov. 19. ilroads try small, 4-wheel, 10-ton cars to eet motor truck competition in handling all perishable shipments.

EXTENT OF 5-DAY WEEK IN AMERICAN DUSTRY IN 1932. *Monthly Labor Review,* ovember. Manufacturing firms adopting a rmanent 5-day week schedule have risen om 2.4% in 1931 to 5.4% in 1932. nployees affected jumped from 5.6% to 4%. Automobile industry heads list with 7.2% of its employees on 5-day basis.

PROGRESS OF AVIATION LAW. George W. pton, Jr. *Aviation,* December. Significant velopments in an industry which has oved ahead steadily during the depression.

BOOKS

LAISSEZ FAIRE AND AFTER. O. Fred ucke. Crowell, 342 pp., $3. A plea for rational plan somewhere between unidled individualism and public ownership productive resources. Consideration of tional planning.

READINGS IN ECONOMIC PLANNING. J. eorge Frederick. Business Bourse, 359 pp., .50. A handbook for the layman whose interest in "planning" is newly roused, who ants to know the background, the success of ojects which have been attempted, how the heme fits into the capitalistic system.

REPORTS—SURVEYS

HOUSING SURVEY—ELMIRA, N. Y. Elmira ssociation of Commerce, 14 pp. Study of uses—age, condition, equipment, number tenants, by whom owned, value and ntal, vacancy frequency, building trends by ars. Valuable case study for construction dustries in any community.

THE INCOMES OF PHYSICIANS. Maurice even. University of Chicago, $2. About e-half of the physicians in this country d incomes of less than $3,800 even in om years. Useful for distribution execues interested in surveys of buying power nong professional classes.

DEMOCRATIC INFLUENCES IN INDUSTRY. dustrial Experimenters Associated, 100 pp., . Proceedings of the association's first anal conference at which were discussed parularly cooperative enterprises tried in recent ars.

1933 Profits will go to self-starters

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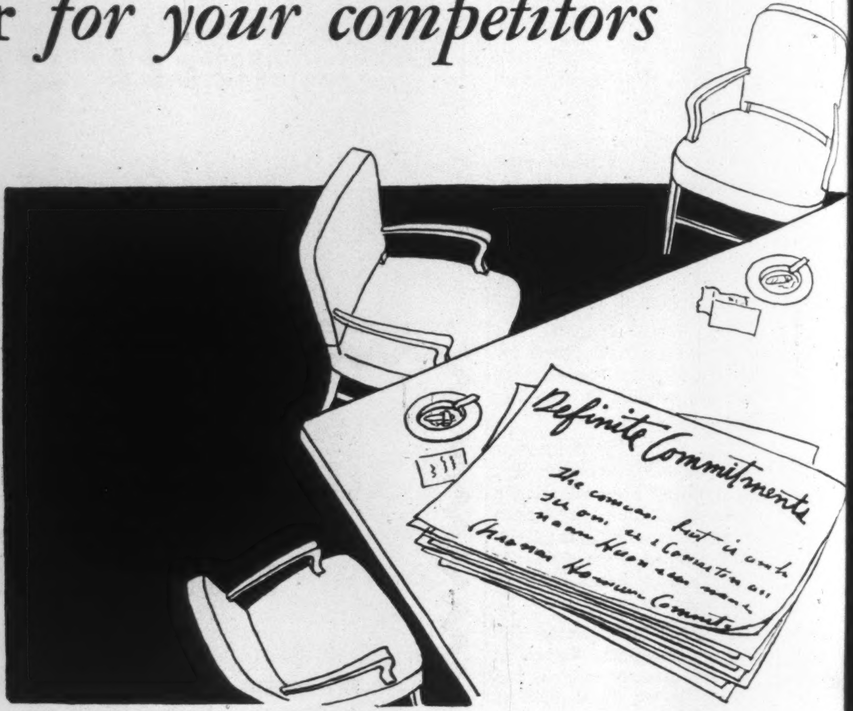

EVIDENCE of actual and intended purchasing is accumulating. Th nation-wide canvass of the Committee on Industrial Rehabilitatio has resulted in definite commitments to buy . . . . . . decisions to replac obsolete industrial equipment and machinery. Heads of big enterprises an prominent manufacturers have said that they *will* modernize their plants

In the engineering-construction industry resumption of buying has kep the curve of construction and the price curve on the up grade since spring The weekly average of construction contracts awarded during October wa three to five million dollars higher than August and September. This i off-season activity that calls for off-season selling and advertising.

Throughout all industry the untiring efforts of governmental and privat agencies are helping to release a huge backlog of orders that has accumu

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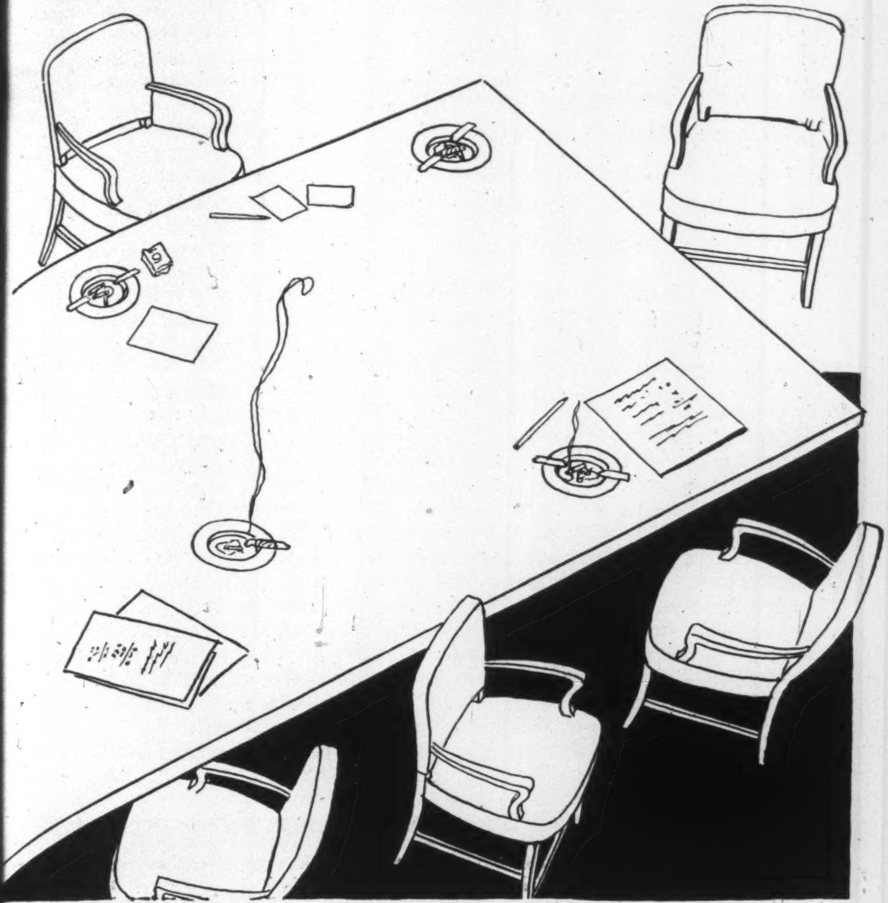

ated through lack of credit and confidence. The influence of RFC financing s being felt by private credit sources which are modifying their restrictions.

ll of this means orders. Are you interested enough to make substantial fforts to secure them? Or are you going to let your competitors get them? he various committees and restorative agencies will not, cannot sell pecific machinery, equipment and materials. That's your job . . . a job hat calls for powerful selling. The job calls for advertising to reach and nform prospective buyers. It calls for salesmen to follow up and close he business.

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The Business Week

Business Abroad

Uncertainty over war debts forces sterling to new low, threatens to unsettle improving trends, fails to hide scattered signs of continuing industrial pickup. Germany refuses to worry over political impasse. Japanese yen still weak. Latin American outlook unchanged.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—If it were not for the continued industrial pickup which persists, though a bit faintly in some spots, Europe would be genuinely upset this week. War debts are the focus of all attention. Worry over the outcome of the Dec. 15 payments has influenced every market.

Great Britain is the key to the problem for 2 reasons. In the first place, the British owe the largest payment to Washington—about $95 millions. In the second place, the British pound, forced by the uncertainty of the situation, has dropped to new low exchange values. Inasmuch as Great Britain is one of the world's greatest traders on international markets, and because the currencies of half a dozen great raw material countries are based on the pound, and because London is still the world's financial center and therefore the dictator of financial policies, everyone is concerned over the outcome of the present crisis.

Influence of War Debts

Several factors summarize the situation. Sterling has dropped to the abysmal low because Britain cannot meet the Dec. 15 payment without shipping some gold, which would deplete the already scanty reserves in London. Except on one condition this is true. That is, that Washington will sanction the deposit of sterling in Basle or in the Bank of England to cover the payment. This would immediately ease exchange. Until the world knows exactly what is to be done, speculation may do almost anything to the pound. As the pound drops, the buying power of the British in foreign markets dwindles. When it is recalled that the British have steadily been among the best customers of France, Germany, Belgium, Holland, all of Scandinavia, the Soviet Union, and the United States, the significance of the week's precipitous drop in Britain's buying power can be appreciated (page 5).

Of course, France also owes a payment to Washington this month. It is second only to the amount due from London. But in the case of France, the payment (only $19 millions) comes exactly at a time when the country can ill afford to make it. In the first place, economic conditions in the country are most unfavorable. Industrial activity, except in the textile trades, is declining. There is strong public sentiment against making the payment. This may, in fact, be so strong that the government will refuse to pay other than into the Bank for International Settlements, in the firm belief that the United States will be forced to reconsider the entire question and that the payment will eventually be returned. In spite of the enormous gold reserves in France, against which a shipment of $19 millions would look pretty small, the franc dropped precariously near the gold export point against dollars during the week.

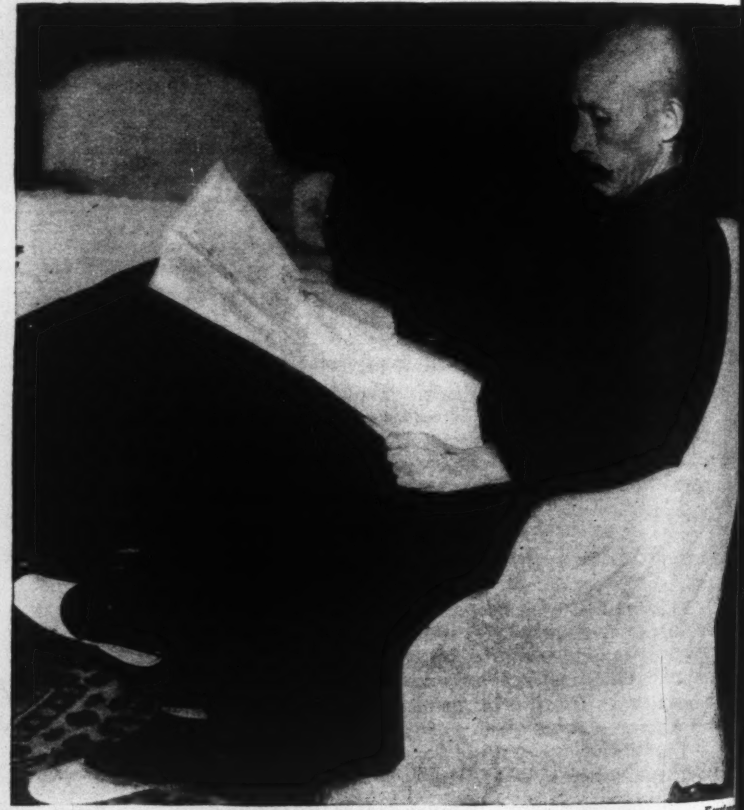
The 4 countries which outstandingly drew gold from the United States last spring were Holland, Belgium, France, and Switzerland. This week it became evident that a lot of Swiss gold had found its way to France in the interim but that it turned timid during the week on debt speculations, and scampered home.

Financially, one other tendency made itself evident during the week, despite the fact the lion's share of public interest was centered in Britain. Southeastern Europe is again showing signs of financial rottenness. Greece, Bulgaria and Rumania are likely further to worry their creditors by inability to meet more obligations already, or soon to come due. These countries were important among those for whom the world economic conference was to be rushed in the hope that the lowering, or adjusting on a broad scale, of international trade barriers would allow them to meet forthcoming interest charges.

France Is After Orders

Politically, the impasse in Berlin over formation of a new cabinet is most significant though it has failed so far to upset business at home or abroad. Business significance attaches to the new Franco-Russian pact of non-aggression because it is expected to be a forerunner to a new trade agreement, likely soon to be announced.

It is too early to say that Europe is



Keystone

WAIT TILL HE GETS THE BILL—General Araki, Japan's Minister of War, wasn't altogether pleased with the Lytton report on the Manchuria affair when he first saw it in the papers. Tokyo listened to his counsel, decided to contest the recommendations when they were presented to the League of Nations.

showing concretely pro-Chinese sympathies in the discussions over Manchuria, but it has been noted by a few Orientalists that firms in some countries are negotiating new deals with the Chinese for industrial projects which, if completed, would aid the Chinese materially. It is just possible that the obvious trend has more political backing than is admitted. In the meantime, business is getting some profitable orders—if China pays the bills at all promptly.

Great Britain

Sterling still erratically weak on war debt doubts. Effect on world prices not wholly recognized. British will produce Bessemer steel.

London (*Cable*)—In the face of a decline in the pound to $3.14½ and a general prospect that payment of war debts will mean the undoing of at least a part of the economic reconstruction that has been accomplished in the last 6 months, British business was cheerless this week. Securities were weak, though the general business tone was unshaken.

If Britain is forced to make the payment of $95 millions due on Dec. 15 in New York, it is likely that the bulk of it will be in gold. More than $15 millions of the yellow metal have already left the vaults of the Bank of England for shipment to America.

Britishers are inclined to voice only a few of their reactions to the seeming insistance by Washington that the December payment on war debts be made. Most important effect will be the blow to world trade which had been improving in recent weeks and, until the debt uncertainty came along, seemed destined for continued, though not speedy, recovery. Furthermore, not a few Britishers believe that American insistance on payment will force England to raise even higher tariffs than have already been scheduled in order to adjust a balance of payments abroad. The City, in short, is convinced that Europe has no genuine capacity to pay these debts any longer, and the United States no real capacity to receive them. The effect of the current payment on Britain's own April budget will be the least of the evils that are bound to follow.

Signs of Improvement

Major industries continue to report increasing inquiry and some improvement in actual orders.

Foreign steel interests will be even more excited than Britishers over the announcement that England is planning to manufacture its own Bessemer steel. The Bank of England, through the Bankers' Industrial Development Co., Ltd., is backing the construction of a new plant where the process will be used in the production of steel. Stewarts & Lloyds, long-time tube manufacturers, will undertake the project. This is a part of the general rationalization which is expected to follow steadily in the steel industry which is now protected by a tariff but which loses this protection if it fails to meet the government's demand for progress in modernization.

France

France determined not to transfer war debt payment to United States. New fear of gold drain. Prospects of trade with Soviet Union.

Paris (*Wireless*)—Nothing all week has occupied the attention of Frenchmen to the exclusion of the war debt problem. The entire population, with the government, is bitterly opposed to payment of the $19 millions due the United States on Dec. 15. Over here it is perfectly evident that the French feel they are no longer tied to the revised debt treaty of 1926 which specified that France pay this amount in December, 1932. Were there not reservations in that treaty, cries the Frenchman, which voids future French obligations to the United States at any time Germany fails to pay reparations?

The second French reply to the war debts note from Washington is not expected to contain either refusal or assent to make payment but rather to reiterate more forcefully the terms and reasons for French unwillingness to consider the justness of the American claims. Even if the French could be convinced that these claims were any longer just, the French banking community and the government would advise against actual transfers at this time. Though the French are likely to follow the lead of the British, it is doubtful if they will go so far as to make actual payment in New York. And there is a question whether the government can stand, if any payment is made at all.

Franc Weakens

Economic conditions in France are not good. This week all gold exchanges began to move noticeably against the franc. Dollars almost touched the gold export point. France is increasingly aware of new problems just ahead. With tax returns diminishing, trade refusing to show the same signs of recovery which have persisted for some weeks in most other neighboring countries, and the dwindling prospect of tourist expenditures recovering at all in the next year to help meet the country's unfavorable balance, the shipment of even $19 millions in gold to New York might weaken to the danger point confidence in the franc.

The Franco-Russian non-aggression pact, just signed, is a prelude to a com-

that roaring

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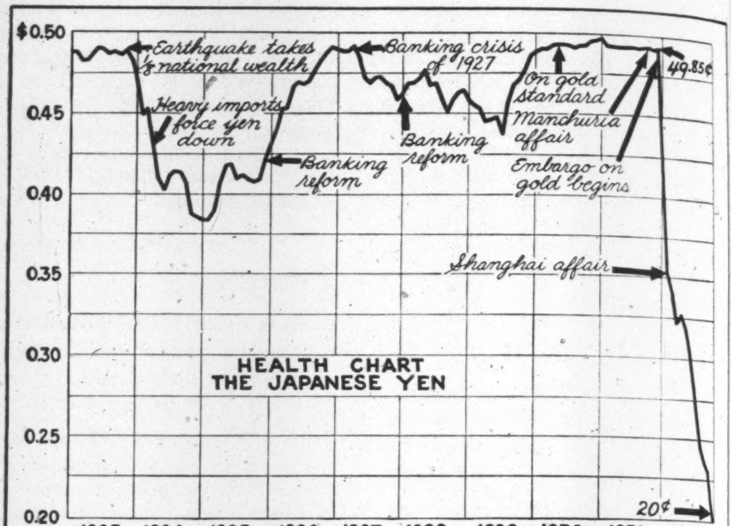
mercial accord likely to follow very soon. The present pact was encouraged because of recent developments in Germany, particularly the agitation for the return of the Polish Corridor. To weaken this possibility, France was eager to conclude a Franco-Polish-Russian combination all pledged to non-aggression. From the industrial angle, the French for the first time in many years are eager to have a fling at the Soviet market. With heavy industry idle, Soviet orders may accomplish much the same thing they have in Germany in the last 2 years.

Business, strictly speaking, shows almost no change this week. Only the textile industry has noticeably improved.



The Business Week

Germany

Business undisturbed by political uncertainty. Not even prospect of Hitler influence in cabinet causes a stir. Attention concentrated in continued industrial recovery. Decline of sterling only real worry growing out of war debt problem.

BERLIN (*Cable*)—Business is still indifferent to the political situation. When von Papen resigned, there was no flurry on the security markets. Executives were concerned only that "his" economic program be carried through. Evidently they felt certain that it would be, no matter who carried on as chancellor.

When Hitler was summoned to Berlin and invited to form a cabinet, business seemed wholly indifferent despite the fact his proclaimed policies are anti-capitalistic.

Any Cabinet Will Do

And now, when every effort to form a government seems to have failed, business is still unperturbed. If von Schleicher finally succeeds in creating a cabinet, it will mean that he has secured a promise from party leaders that there is to be a political truce during the winter so that his government can spend all its energy coping with relief and economic rehabilitation. If he heads the government, it will mean that the trade unions have agreed to cooperate on the promise that work-providing schemes will be pushed to the limit.

If, on the other hand, von Papen is back, things are still likely to move smoothly for a time for everyone realizes that Germany is facing her "worst" winter, that cooperation is all that can avert social disorders. The Reichstag will be dissolved (as it has been before) and he will be even more of a dictator than formerly.

Back of it all, there is the realization that some of the Hitler policies may be tried (page 22), particularly if he finally allows some Nazi representatives in the cabinet. A year ago this would have frightened Germany. Today the country has had to accept enough of these principles to know that they do not mean immediate chaos. And the country knows, too, that Hitler cannot "put anything serious over on the people."

Whatever happens, some sort of a truce during the next few months is inevitable. Business knows this and is using all its influence to make this truce effective as soon, and as completely, as possible.

In Berlin, it has been evident all week that business is paying much more attention of late to various signs of economic improvement. Two factors have attracted particular attention. The first is the easy condition in the money market which is beginning to have its influence on the long-term market. The second is the very cheering evidence that industrial improvement is spreading to a wider range of industries.

The best indicator of the former trend is the fact that the official bond price index has advanced from June (when von Papen took office) to the middle of November from 60.43 to 73.25. Indicative also is the parallel decline in the yield of 6% bonds from 9.93% in June to 8.57% in October. This latter figure is still high compared with a private discount rate of 3.7% (official bank rate 4%), but the tendency towards leveling-out of the high spread between short-term and long-term rates is unmistakable.

Money Is Cheap

This favorable tendency of the money and capital markets was to a large extent due to the fact that practically no calls have been made by the Reich on these markets since the beginning of the fiscal year (April, 1932). Nor are any issues expected to be necessary before January. This, in turn, was due to the balancing of federal revenue and expenditure during the first half of the fiscal year. A change is foreseen for the last quarter (January–March), when a deficit of $100 millions or more is anticipated. Consequently, the Reich will then probably have to call on the market for funds. This might interrupt the trend toward easier conditions.

An increase of coal output by 10% in October compared with the preceding month, and a still greater increase of steel production by 30% were the principal sources of optimism so far as industrial activities are concerned. Textiles are still reporting increased activity. The dye and chemical industries are having better than average luck hurdling the tariff barriers which have virtually closed most neighboring markets to other products. The increase in the number of jobless, while wholly undesirable, is due to slackening agricultural activity as winter approaches.

Germans Not Worried

Germans are not alarmed over the general question of war debts which has upset most of the rest of Europe this week. It is the belief of the average executive that reparations (the German side of the debt question) are dead no matter if Lausanne did provide a loophole for creditors to demand a further fractional payment if the United States "refused to be reasonable."

The real worry to Germans in the debt question now is the effect it is having on sterling. At $3.50, Germans were finding it difficult to compete on foreign markets with British products selling under the advantage of a depreciated pound. At the new low under $3.20, Germans doubt their ability to maintain their place in many markets.

Berlin bankers are watching the informal discussions of German creditors under the "standstill" agreement. Rumors now have it that these creditors are already making plans to handle the standstill agreement when it terminates in February. It is commonly believed that they are seriously discussing plans for funding, on a long-term basis, at least one-half of the $1.2 billions which Germans owe. Provision would probably be made then for orderly servicing and amortization of the balance.

Far East

Yen drops to new low. Japanese financial conditions unfavorable. Plans under way for penetration of Manchukuo markets.

THE temporary boom in Japan's business and industry as a result of the advance in commodity prices, following depreciation of the yen, is being overshadowed in recent weeks by the unsatisfactory financial situation and political uncertainty. Difficulty is being experienced in balancing next year's budget. Estimated expenditures are far in excess of expected revenues. Customs receipts are declining as the weakening yen, while stimulating exports, is seriously curtailing imports of merchandise other than raw materials.

General industrial activity continues and security prices are moving upward. There is no increase in employment or wages, however, though the cost of living has advanced. Each month shows increases of from 2% to 8% in commodity prices in principal cities and invariably such staples as sugar, cotton cloth, wheat, flour, and shirtings, which are more or less daily necessities, are among commodities advancing in price.

Yen exchange has reached a new low but stabilization of exchange is considered impractical at this time. It is possible, however, that the government will purchase Japanese-owned foreign securities as a measure to control exchange and facilitate interest payments.

Japan's Policy in Manchukuo

Tokyo's frank *Trans-Pacific* pointed out something significant in an early November issue. Reads the report: "The South Manchuria Railway Co. has declined the offer of Mr. Kenjiro Matsumoto, chairman of the establishment committee of the Showa Coal Co., Ltd., to join that institution. This new coal company is being formed in connection with the scheme of so-called Japan-Manchukuo coal control. Public attention is being centered on this company because it is the first concrete step that has been taken toward control of Japanese and Manchukuo interests.

"Mr. Shinji Sogo, a director of the railway company, told Mr. Matsumoto that the South Manchuria Railway could not join in the new project since the fundamental principles for Japan-Manchukuo control have not yet been established. Furthermore, the railway must consider the interests of consumers and, from this standpoint, its business is different from that of peddling coal in Japan. Fixing the coal price, he emphasized, is an important matter and therefore the South Manchuria declines the offer to have the sales company tell it what to do."

Another item reported from Japan indicates the efforts Japanese businesses are making to secure Manchukuo business for themselves: "The Manchuria Cement Sales Association is to be organized by leading Japanese cement manufacturing concerns interested in exports to Manchuria. Onoda Cement takes the largest share of the newly arranged quota. Scarcely 20% is allowed to Asano, Ube and Nanao."

Latin America

Argentina seeks British economic adviser. May organize central bank. Brazil restricts coffee shipments.

ARGENTINA has made another move to win British favor. Sir Otto Niemeyer has been invited by the government at Buenos Aires to come to Argentina and act as economic adviser. Problems for special consideration are the establishment of a central bank and reform for the country's monetary system. Sir Otto, it is recalled, is an officer in the Bank of England and a member of the League of Nations Finance Committee. Last year he was invited to Rio de Janeiro by the Brazilian government to study the country's economic setup and recommend means of improving financial conditions. Among his recommendations at that time was the suggestion that the country go into default on its foreign obligations in order to maintain some semblance of currency stability at home. Neutral observers are aware that Argentina has large foreign obligations falling due in the next 6 months, though they hardly believe that the country will default.

News from Brazil indicates no significant economic changes have taken place during the week. Coffee shipments are being restricted. Brazil expects December coffee auctions by the Grain Stabilization Corp. in New York to hold above 10½¢. The September auctions (in the midst of Brazilian hostilities) brought 14½¢.

There is no improvement in the outlook in Chile. Bolivia and Paraguay have renewed their struggle over the Chaco. Support by so-called neutrals is strongly suspected.

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The Figures of the Week

November construction activity holding up well. Holiday influenced steel and electric power production. Carloadings increased chiefly due to heavy coal shipments. Financial unsettlement disturbed commodity markets.

THOUGH Thanksgiving Day is not a regular steel holiday in more normal business years, its extensive observance this year lowered the operating rate to about 16% of capacity during the week ending Nov. 26. A slight accumulation of small orders may result in a minor recovery during the current week, but the outlook for the closing weeks of the year is none too bright. Automobile manufacturers are proceeding with their production schedules and form the best customers of the steel industry at the moment, and probably for the next two months or more as well. Other consumers are not taking on more material than the immediate needs demand. The approach of inventory time is mentioned by trade papers as an additional deterrent, though the general impression for many months has been that stocks in the hands of consumers were far from excessive. So December is being accepted as a poor prospect with January offering the possibility of a mild improvement.

Automobile output during October reached a new low record. In the United States, the decline was most pronounced in passenger cars, reflecting the preparations being made for the introduction of new models in 1933. Only 35,334 passenger cars were produced in this country, a 45.4% decline from September. In Canada, a reverse trend was indicated, production of passenger cars increasing by 35.6%. Total production of all motor vehicles in the United States and Canada numbered 51,857 units against 86,483 in September, declining 40%. Automotive exports in October of vehicles and parts gained in value over September for the first time since 1928, chiefly due to a 7% gain for trucks and 23% for miscellaneous parts.

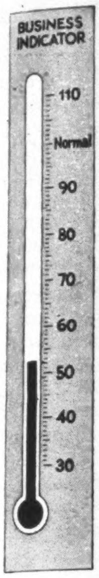
November promises to show an increase over the October figures for motor production, but the margin will probably be narrow. Chevrolet assemblies were delayed by the difficulties incurred in securing bodies. Buick assemblies were also delayed for similar reasons, so that the contributions of these 2 producers to the November totals will be light.

Railroads' requirements are either not being estimated for 1933 or are being greatly delayed. Orders and inquiries are virtually non-existent. Only small lots for repair purposes are being shipped. In the past week, the American Locomotive Co., which secured the one locomotive ordered this year, announced the passing of dividends on its preferred stock, the first break since 1901. In the meantime, freight cars and locomotives in need of repair are steadily increasing to levels unknown in nearly 10 years. On Nov. 1, 12.7% of the freight cars on Class I lines, and 17.8% of the locomotives were in need of repair, representing a gain within a month of 6,017 freight cars and 315 locomotives.

Building steel requirements are also running light, considerable time elapsing before the many public projects contemplated reach the steel rolling stage. Bids for the San Francisco-Oakland bridge involving 200,000 tons will be asked early in December.

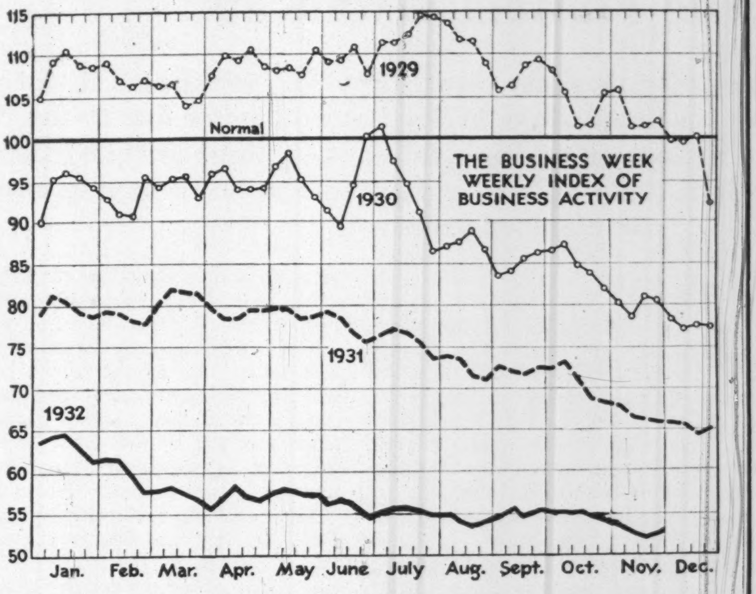
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*52.7	†51.9	65.9	
PRODUCTION				
Steel Ingot Operation (% of capacity)	16	18	28	57
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,190	$4,238	$8,537	$14,989
Bituminous Coal (daily average, 1,000 tons)	*1,283	1,276	1,176	1,625
Electric Power (millions K. W. H.)	1,475	1,532	1,600	1,614
TRADE				
Total Carloadings (daily average, 1,000 cars)	96	93	109	146
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	61	62	74	95
Check Payments (outside N. Y. City, millions)	$2,663	$2,662	$3,404	$5,288
Money in Circulation (daily average, millions)		$5,643	$5,486	$4,958
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.41	$.44	$.54	$.99
Cotton (middling, New York, lb.)	$.059	$.062	$.062	$.149
Iron and Steel (STEEL composite, ton)	$28.91	$28.92	$30.55	$33.93
Copper (electrolytic, f.o.b. refinery, lb.)	$.050	$.052	$.063	$.129
All Commodities (Fisher's Index, 1926=100)	60.5	60.4	67.8	86.9
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,205	$2,210	$1,954	$1,544
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,983	$18,947	$20,908	$22,165
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,118	$6,094	$7,574	$8,789
Security Loans, Federal Reserve reporting member banks (millions)	$4,257	$4,249	$5,831	$7,018
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$350	$344	$751	$3,019
Stock Prices (average 100 stocks, Herald-Tribune)	$86.63	†$85.26	$96.45	$146.17
Bond Prices (Dow, Jones, average 40 bonds)	$77.59	†$78.28	$81.89	$93.43
Interest Rates—Call Loans (daily average, renewal)	1%	1%	2.5%	4.1%
Interest Rates—Prime Commercial Paper (4-6 months)	1½–1¾%	1½–1¾%	3¾–4%	4.3%
Business Failures (Dun, number)	460	480	492	424

***Preliminary** **†Revised**



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



Though the R.F.C. has voted to support 32 projects to the tune of more than $137 millions, only $360,000 has been actually advanced to borrowers.

Farm equipment manufacturers are expected to be in the market for some tonnage, since their inventories are the lowest on record. Steel demand for auto licenses in New York State is only half of last year's requirements. The $1-million air-conditioning project for the R.C.A. Building in New York City will involve large tonnages of galvanized sheets.

The lake movement of iron ore this year totaled but slightly more than 3½ million tons against 23½ millions a year ago. According to *Iron Age*, this is the smallest total since 1886.

Building Contracts Awarded

Construction activity during November continues to hold up better than usual for the season. The daily rate for the third week of the month was somewhat below that of the first half of the month, except for residential building. For the period through Nov. 22, contracts valued at $75.1 millions have been let, equal to a daily average 2.8% below October and 36.5% under a year ago. The adjusted index has shown a rising tendency, standing at 26% of normal during the period ending Nov. 18 compared with 25% the preceding week.

Non-residential awards now aggregate $20.3 millions, 4.6% ahead of the October daily rate, but 55.2% below a year ago. Public works and utilities comprise the bulk of construction awards with a total of $40.2 millions. The daily average runs 4.5% under October, but 7% above November, 1931.

Residential building awards were valued at $14.6 millions, some 7.3% under the October daily average and nearly 59% below a year ago.

Coal production made a sharp recovery following the holiday week of Nov. 12, coming within 2.4% of the October high. The rise is contrary to the usual trend and lifted the index to 57%. October reached the year's high in bituminous coal production, a position usually held by January. The gain over September was 24%, and over the June low, 84%. During the week of Nov. 19, both anthracite and bituminous production exceeded the comparable week of 1931. Employment in the anthracite fields during October increased 14% and wage payments 42% over September.

Electric power production during the week ended Nov. 26 reflects the shutdowns for the Thanksgiving holidays. The adjusted index remains practically unchanged at 69%. The spread from a year ago is now 7.8%.

Carloadings Still Slow

Total carloadings made a fair recovery following the double holiday week, chiefly as a result of a sharp gain in coal loadings. Miscellaneous and less than carlot freight made but a slight gain, with the daily average falling below the holiday week. The adjusted index lost a point to 50%.

Returns on 74 Class I railroads for October indicate a slight rise in net operating income compared with a year ago as a result of the more than seasonal increase in freight car loadings. The same roads in September reported a loss of 10.4% from a year ago.

Instead of showing a sharp decline in check payments during the week ended Nov. 23, the total volume showed a fractional increase in the 140 cities outside of New York, lifting the index to 55%. The maintenance of the level of the preceding week can be attributed largely to a 46% increase in Boston and a 16% gain in Pittsburgh. New York City debits were off 11%; St. Louis and Los Angeles 16%. The 131 centers outside of financial markets showed a 5% decline.

Currency Circulation

Currency circulation for the week ending Nov. 26 declined slightly. In approximately the same period, bank suspensions numbered 10, a reduction of 8 from the preceding month. Retail trade in the metropolitan New York area during the first half of November reflects some setback from October, the decline from a year ago running about 25% compared with 21% in the preceding month, and a 10 months' average of 21%.

The expansion in commercial loans during the week ended Nov. 23 was chiefly in New York where the gain amounted to $48 millions.

Commodity prices have followed the stock and bond markets of the past fortnight which have been upset by the sagging of sterling and the lack of encouraging industrial news. Wheat futures reached new lows; corn again reached the export level. Cocoa prices for December delivery reached the lowest quotation in the history of the exchange. Silk prices have firmed since Nov. 25; wool remained steady; cotton eased. Non-ferrous metal markets reflect the fortunes of sterling, particularly in silver and tin.

The Financial Markets

Security markets show surprising steadiness in face of sharp fluctuations in foreign exchanges due to the debt situation. Banking conditions continue unchanged, with slight signs of loan expansion and bond buying among New York member banks.

Money

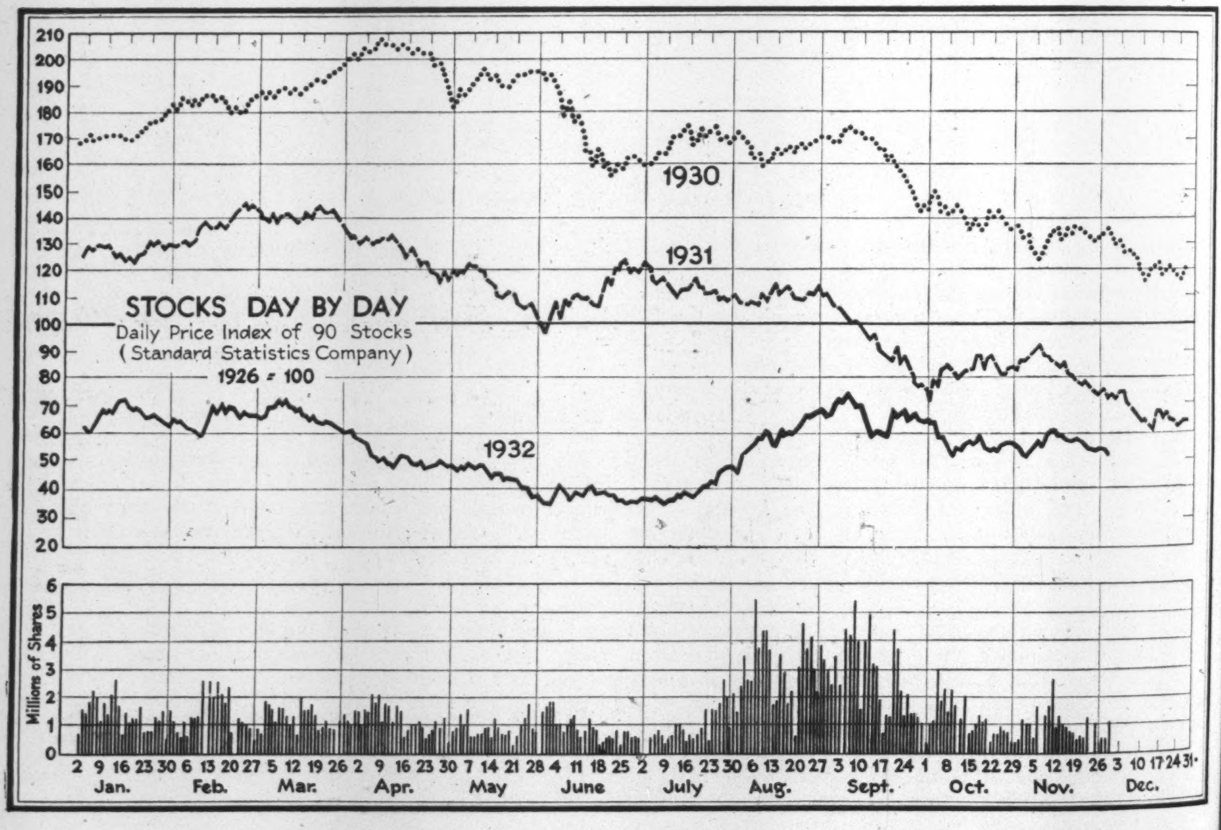
THE most remarkable feature of the financial situation in the past 2 weeks has been the striking stability in American security and money markets in face of serious disturbances in international exchange relations as a result of uncertainty and strain accompanying discussion of the December 15 war debt payments. Ordinarily a decline in the exchange value of the pound against the dollar so sharp as has occurred since election would upset security markets and put a serious strain on the banking situation. Sterling is still the international currency, and a loss of more than one-third of its value in terms of gold, together with the uncontrolled fluctuations in exchange rates since the suspension of gold payments has disrupted the mechanism of international trade on an enormous scale.

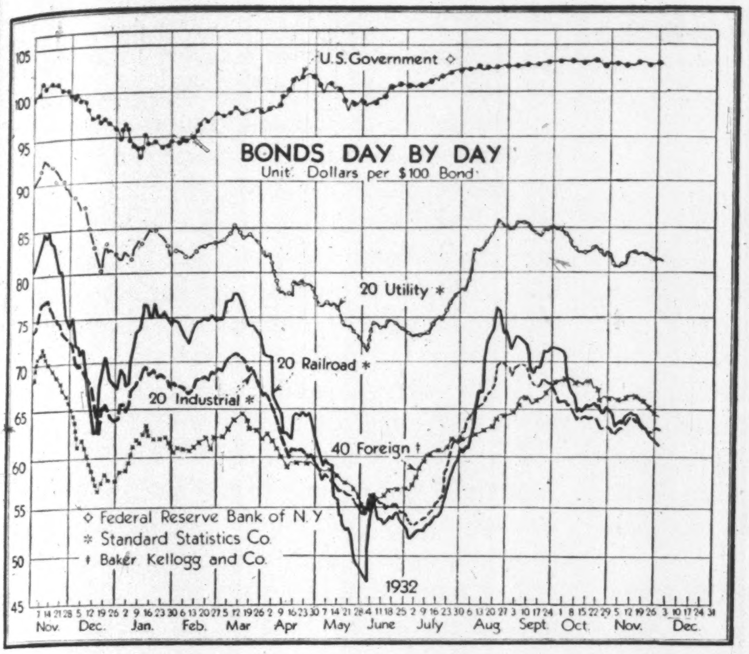
The effects were, of course, felt in security and commodity markets the world over during the panic conditions that prevailed from last fall to the outset of this summer. Commodity markets are still feeling the effects, but the fact that security markets and banking conditions in this country have been scarcely stirred by the most recent disturbances is strong testimony to the strength of the financial situation here.

Great Britain will probably pay the Dec. 15 debt instalment, at least in larger part, in gold, although it is unlikely that any of the current gold shipments reported are for this purpose. A transfer of gold would be the cheapest way to make the payment, especially if the gold were used to purchase United States Treasury securities now selling below par. But the operation could not be repeated without seriously depleting British gold reserves and putting the pound down further.

Discussion of the problem of payment has revealed the extraordinary change in the American financial position since this time last year. The amount of gold earmarked for foreign account in this country has been reduced to less than $75 millions. The estimate of around $100 millions as the amount of British dollar balances here is itself a striking indication of the extent to which foreign current cash claims on this country have been reduced as a result of the gold rush since last fall.

Member bank credit liquidation continues outside New York, although deposits are fairly steady. New York City member banks have been nibbling at non-government bonds for several weeks and have shown a considerable expansion of "all other loans." The latter is suspected to be rather a reflection of shifting of Federal Reserve bank balances than an indication of currency credit expansion. Although continued gold inflow is keeping excess reserves at high levels, currency in circulation shows a tendency to hold up around recent figures under the influence of seasonal demand. Call money rates in the outside market seemed to be tightening a trifle but there are no significant changes in the situation in sight. The continued extreme ease in the short money market is sufficiently indicated by the yield rate on the last $100 millions Treasury issue of 90-day bills which was 0.13%, lowest so far.





Stocks

THE stock market has drifted slowly downward in extremely dull trading since the middle of November, but this sagging tendency has been of no significance in face of the fact that the market seems to have struck a resistance level around the October and November lows. Prices have moved in a narrow range since early October, creating an impression of stability which may be deceptive, but is vastly encouraging to market chart readers who like to talk of triple bottoms and who point with pride and hope to the fact that the recession from the early September peak has not exceeded the 50% limits at which bulls are transformed into bears or vice versa.

The tendency of the market to stick around present levels for nearly 2 months, during which we have had one of the most disturbing campaigns and national elections in a long while, a collapse of sterling, and a succession of exceedingly sour corporation statements, is admittedly impressive. During the past years stock prices have shown no such stability at this season, and last year the flood of liquidation was in full swing during November. It is obvious that the market is trying to make a stand at present levels in the hope that prospects of improvement in the spring will provide a basis for an upswing.

On the bull side, must be counted the stability the market has shown in face of unfavorable news, the apparent stabilization of most important indicators, and the fact that it is on a cash basis, with every trace of margin account inflation eliminated. On the bear side are the dubious prospects for stability of commodity prices in face of the collapse of the pound, and the certain prospects of serious unemployment difficulties during the winter. On balance, the conservative soothsayers see the possibility of lower prices but feel thta repetition of the midsummer lows is improbable.

Bonds

HIGH-GRADE bonds have shown even more striking stability than stocks under the strain of exchange disturbances and war debt uncertainties. The more speculative issues have tended to sag in sympathy with the weakness in commodity prices and the dullness in the stock market. A spurt in bank and insurance company buying of the better-grade issues has been responsible for advances in some of them to around the best levels of the year. Governments have been steady, but there has been little definite indication of active buying of below-par issues by foreign governments for war debt payment.

It should be remembered that there is nothing essentially unfavorable for high-grade bonds in the depression of commodity prices, and the depreciation of sterling as a result of the debt payments. These things are phases of the deflationary movement and should make for higher gilt-edged bond prices.

In new issue news the one stimulating note is the offering of a new equipment trust note issue by Reading at a price which affords an encouragingly low yield for this type of semi-industrial capital issue—less than 5%.

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THE BUSINESS WEEK
The Journal of Business News and Interpretation

DECEMBER 7, 1932

No More Alibis

As we approach the end of the third year of this depression there are a number of things that need to be said, among ourselves, about the business situation. We propose to drop the formalities, amenities and mannerisms of orthodox editorial style and discuss them with you in a simple and straightforward way. This is a start. If we seem too personal, excuse it, please. Our sole purpose is to help a bit.

The immediate prospects of business improvement are admittedly not very clear at the moment; the problems that lie ahead make a list as long as your arm, and some of them are very perplexing. But we can say quite sincerely that there is nothing about either the prospects or the problems that disturbs us seriously except the attitude and state of mind of business men themselves toward them.

We are as certain of the ultimate recovery and continued expansion of American business as we are of tomorrow's sunrise. We are equally sure that not every business concern is going to recover; and that recovery will not come without drastic readjustments in many individual concerns and far-reaching changes in some elements of our economic structure and methods. But we do not see anything in this to be sad about. The only thing that bothers us is the persistent tendency of business men to postpone the decisions necessary to such readjustments, and their repeated refusal to face the fundamental realities of such changes as have already occurred in the business situation.

It seems to us that American business has succumbed to the alibi habit. Most business men have been waiting for something to happen, quite independently of their own effort, that would make any initiative on their part unnecessary. The story of American business during this depression can be summed up in the long series of such alibis, starting with the stock market crash in 1929 and running down to the war-debt problem at the present time, by which we have postponed individual action and passed the responsibility for delay in recovery to some situation or event outside business management itself.

Perhaps we professional reporters and interpreters of business conditions are partly to blame for this because we have put so much emphasis on political, financial, international factors in the situation and spent so much time analyzing them. Whatever the reason, it has been a serious mistake for American business to concentrate its attention so largely on these external conditions. It is time we regained our perspective and recognized where the responsibility for recovery lies.

Do not misunderstand us. We are not so superficial as to imply that this depression and its prolongation are merely a product of a state of mind, or that these external factors are not real or significant. They are certainly important in the long run development and preservation of prosperity; but they have never been as immediately important for recovery as is the intensive application of executive intelligence and energy to the tasks of reconstruction in the individual concern. Even if these external problems were perfectly solved on paper by some supernatural power, recovery could not come and prosperity could not be restored without the effective management of the individual enterprises that make up American business. Certainly if we wait for them to be solved by somebody else before we do anything ourselves, our own difficulties will only become harder to deal with.

At any rate, the wise business man will not wait in 1933 to see them solved. He will take an intelligent, public-spirited interest in them, but he will not let it interfere with his initiative in buckling down to the job of rebuilding his own business. This is a many-sided job; we shall discuss some aspects of it on this page later. It calls for courage, ingenuity, openmindedness, honesty, and the best way for business to begin is by breaking off the alibi habit now.

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